The Bankers magazine

The BANKERS MAGAZINE

TITLE REGISTERED IN U. S. PATENT OFFICE

Vol. XCII JANUARY 1916 No. 1

SPECIAL FEATURES

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$5.00 A YEAR — 50 CENTS A COPY

PUBLISHED MONTHLY BY

THE BANKERS PUBLISHING CO.

BOSTON NEW YORK CHICAGO

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THE BANKERS MAGAZINE

VOLUME XCII

JANUARY TO JUNE

1916

NEW YORK
THE BANKERS PUBLISHING CO., Publishers
253 BROADWAY

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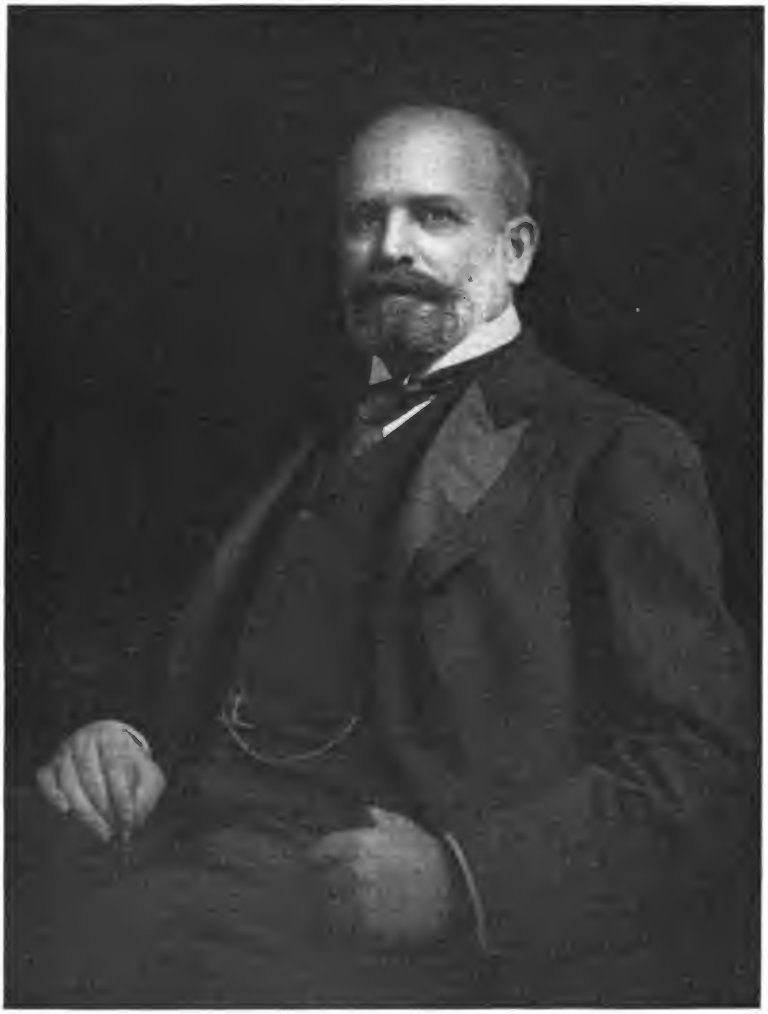

EDWARD HOLBROOK

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THE
BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SEVENTIETH YEAR JANUARY 1916 VOLUME XCII. NO. 1

Has the American Spirit Declined?

THE year just closed has witnessed bloodshed and human slaughter on an unparalleled scale and the destruction of property and an expenditure of money to a degree which figures can no longer intelligibly represent. From this scourge of war this nation has escaped. But has it suffered even greater injury than the warring nations? Have the failures to protect American lives and property rendered us indifferent to the world's contempt? True, we have accumulated the hugest bulk of gold ever piled up, but what a sorry exchange therefor would be the surrender of the American spirit and a sacrifice of the national honor.

There are some disquieting signs. Economy has given place to riotous extravagance, and elegance, taste and refinement are in too many places retiring before the onset of noise and vulgar display. In the midst of the great world conflict America has saved its men and money, but has it saved what in other days were regarded as our most priceless possession—the national spirit and the national honor? Babylon, Rome, China and India—may not their fate be ours, either soon or in the slow course of centuries, if we refuse to protect the lives and property of our people?

There was an America that breathed inspiration from the burning words and daring acts of Henry, Jefferson, Washington, Adams, Otis, Nathan Hale and Paul Jones. Has it given place to the America of honeyed phrase and the cant of mushroom multi-millionares and their parasites?

A Presidential campaign is approaching, and prospective candidates are bidding for the various sections of the foreign vote, but

seemingly ignoring the American vote, presumably on the ground that it no longer has any existence.

The man without a country is indeed a pitiful and contemptible figure, but the country without men would be beneath either pity or contempt. Let Americans at the beginning of the year 1916 in congratulating themselves over their exemptions from war's ravages searchingly inquire whether the country has lost any of that spirit which once made it the hope and the refuge of the earth's oppressed.

A NATIONAL THRIFT DAY

IN the development of an idea discussed on another page of this issue of The Bankers Magazine the year 1916 will see the inception of a new day for annual observance with a special purpose. February 3 is to be celebrated as Thrift Day and on that occasion many banks, newspapers, teachers, clergymen and others who have the public ear will devote their energies to showing what advantages will accrue to the people by a more consistent and systematic practice of the virtue of thrift than has been common heretofore.

The idea in its broadest sense contemplates something more far reaching than the utilization of this day for making a special appeal to the people to increase their savings deposits in the banks, although that will be an inevitable result of a campaign of this kind.

Curiously enough, the newspapers and popular magazines pay little attention to thrift as a private or national virtue. One may read columns and even pages about the extravagance and revelry on New Year's eve in the expensive city hotels and restaurants, but the homely story of how John Smith got a job, worked early and late, supported a widowed mother and younger brothers and sisters, finally married and had a home of his own and became himself an employer of labor and a leading man of the town—all this is rarely recorded in the great city newspapers. Presumably their readers

are more interested in romantic tales from the lobster palaces than in the short and simple annals of the poor.

A good deal of thrift literature bears the trace of the manicured nails and the scent of Parisian perfumes. Delicate chaps who never saved anything, and who are innocent of rude conflict with the accidents of time and circumstance, write nicely-turned sentences about thrift, all paid for at so much the yard. They affect an earnestness which they do not feel and presume to write of a subject about which they know little and care less.

There is, or at least there ought to be, no one in the community better qualified to speak or to write with authority upon this subject than the banker. He is himself the product of thrift. Without this virtue there would be no banks, for banks exist chiefly on deposits, and deposits in banks are concrete expressions of thrift. It is the banker who sees and who knows what thrift does: that it is the prop of honor, the support of the aged, the handmaid of every virtue, the means by which the honorable purposes of life are achieved; that it provides the funds for all constructive enterprise—builds the home, the school, the church, the factory, the railroad, and employs labor; that it provides food, clothing, education, and the means of enjoying the better things of life, and finally that it develops character and makes for good citizenship and lays the foundations of a spiritual kingdom. The banker is less a preacher of thrift than an exemplifier through his institution of the tremendous power of saved capital. Every loan that he grants for any constructive or productive purpose is the most powerful and practical argument in behalf of thrift that could be written or drawn from all experience. Men, women and children have saved, perhaps through hardship and sacrifice, and have placed their pennies, their dimes and their dollars in the bank; and these sums, belonging to any one person, may be small, amounting at most perhaps to a few hundreds, but put together and made to co-operate they furnish the power by which the wheels of commerce and industry are kept in motion.

Of course, the direct benefit of thrift to the individual must not be overlooked if the movement for Thrift Day is to be made popular. The average person, when urged to save, may not warm up very readily to the value of thrift just now in promoting our international trade, and even its community benefits are apt to excite in him but a languid interest. "What is there in it for me?" is likely

to be his practical challenge to the suggestion that he give up the present enjoyment of a part of his income. No one better knows the right answer to that question than the banker, and he will benefit himself, his community and the nation by devoting attention to spreading abroad information on this subject.

We have in this country at all times a campaign going on among the banks to increase the number of their depositors and the amount of their deposits, but insufficient attention has been paid to the education of the boys and girls—and men and women, too, for that matter—in the principles of thrift, to the end that people may instinctively shape their lives in accordance with well-established principles of a wise economy.

To this work the chief activities of Thrift Day may well be addressed, and the result of a properly directed campaign of this sort would be productive of great and lasting good.

THE RETIREMENT OF NATIONAL BANK CIRCULATION

NATIONAL bank notes may be retired under Section 18 of the Federal Reserve Act, this section having become operative with the close of December last. Contrary to an opinion which no doubt prevails in some quarters, this retirement of national bank circulation need not necessarily work any reduction in the country's present volume of paper currency. While it is provided in the section referred to that the bonds securing national bank notes are to be purchased and the circulation retired, it is also provided that a like amount of bond-secured Federal Reserve Bank notes may be issued. The provision referred to reads:

"The Federal Reserve Banks purchasing such bonds shall be permitted to take out an amount of circulating notes equal to the par value of such bonds."

These notes are to be issued and redeemed in the same manner as national bank notes, except their issue shall not be limited to the capital of the Federal Reserve Bank putting them out.

So that in the process of "retirement" of the national bank notes

we do not necessarily immediately get rid of this objectionable form of currency, but disguise it by calling it a Federal Reserve Bank note. But extending over a period of thirty years a process will go on which should gradually effect this purpose. The Federal Reserve Banks are granted the right of turning in their two per cent. bonds in exchange for one year three per cent. gold Treasury notes and thirty year three per cent. bonds without the circulation privilege. As this process goes on, the volume of bond-secured bank notes will gradually diminish.

The method of retiring the national bank notes is thus described in a Treasury circular:

"Secretary McAdoo has issued regluations establishing the method of retiring national bank circulation and refunding United States two per cent. bonds as provided by Section 18 of the Federal Reserve Act.

"The regulations provide that on and after December 31, 1915, when Section 18 becomes effective, any national bank may submit to the Treasurer of the United States application to sell at par and accrued interest any bonds securing circulation which the bank desires to retire. On March 31, 1916, and quarterly thereafter, the Treasurer of the United States will submit to the Federal Reserve Board a list of all applications to retire circulation that have been received at least ten days before such date.

"The board will pass upon such applications and will advise the Treasurer of any bonds allotted to the Federal Reserve banks for purchase; thereupon the Treasurer will call on the Federal Reserve banks required to purchase the bonds to deposit lawful money therefor and after receipt of such deposits the Treasurer will convert into the Treasury such sums as may be necessary to redeem the bonds to be retired, will remit the balance to the banks selling the bonds and will transfer title of the bonds to the Federal Reserve bank acquiring them. Applications to retire circulation which are not accepted by the board must be subsequently renewed.

"The regulations further provide that Federal Reserve banks owning two per cent. consols of 1930 or two per cent. Panama Canal bonds against which no circulation is outstanding may apply for the conversion of such bonds into one year three per cent. notes or thirty year three per cent. bonds. Such applications may be submitted at any time, but conversions will be made quarterly only on the first day

of January, April, July and October, which are the dividend dates for the consols of 1930.

"Not to exceed one-half of the bonds tendered may be converted into notes. The notes will be termed 'one year Treasury notes'; they will be payable one year from date of issue and a bank applying therefor must execute an obligation to purchase at recurring maturities for thirty years similar notes in like amounts. Subsequently banks may exchange such notes for three per cent bonds.

"These notes will be issued in denominations of $1,000, $10,000 and $50,000. The bonds will be termed 'three per cent. conversion bonds' and will be payable thirty years from January of the year of issue; they will be issued in denominations of $100, $1,000, $5,000 and $10,000.

"Both notes and bonds will be issued in registered and coupon form; they will bear interest at three per cent., payable quarterly on the first day of January, April, July and October; they will be payable principal and interest in gold coin of the present standard of value and will be exempt from all taxation. They will not be acceptable as security for circulation."

It will be interesting to watch how the national banks will act in this matter. No doubt they will be governed largely by considerations of profit rather than by any sentimental views. There is some satisfaction and a little advertising value for a bank to have its name conspicuously printed on notes that circulate from hand to hand as money. At present the profit on bank circulation is a trifle over one per cent. In exchanging the circulation for bonds, the banks will receive par and accrued interest. Just now the two per cents are selling in the market slightly below par. The process by which the banks receive par for the bonds may be described as analogous to lifting oneself by one's bootstraps; that is, the member banks sell the bonds to the Federal Reserve Banks—in other words to themselves, for the national banks own the Federal Reserve Banks, the state bank members being so few as to cut no substantial figure. After the national banks transfer their bonds to the Federal Reserve Banks the latter may in turn hand the bonds over to the Treasury for three per cent. one year gold Treasury notes to the amount of one-half the bonds tendered and thirty year three per cent. bonds without the circulation privilege for the remainder. Nor does the complicated procedure end here, for the Reserve Banks must agree

to buy back the notes they receive in exchange for bonds and a like amount of such notes when tendered at each maturity date, and this obligation continues for a period of thirty years.

It will thus be seen that a partial exchange of two per cent. bonds for three per cent. notes is going on, and also a partial conversion of two per cent. bonds into three per cent. bonds. As this process goes on, the bond secured circulation will diminish, for neither the notes nor the new bonds will have the circulation privilege. What effect this will have on the aggregate debt is less clear. The whole thing is a roundabout conversion process. So far as the national banks are concerned it is doubtful whether they will gain much by the change. True enough, the advantage they now derive from circulation is a slight one; but, on the other hand, there is little to gain by surrendering the circulation and selling the bonds at par. The slight difference between par and the market is about all the banks would get out of it, and this gain would be counterbalanced by the loss of the profit on circulation. By waiting until the bonds mature the banks will get par anyway, and meanwhile they will have the profit.

Economically the bond-secured circulation is objectionable, but from the pure standpoint of profit to any particular bank, or even to the banks as a whole, there would appear to be some advantage in holding on to the bonds until their maturity.

There is one important aspect of the matter of which the bank should not lose sight—they now have the circulation privilege, at least nominally; if they surrender it, a long period may elapse before it is regained.

GREAT BRITAIN GATHERING IN AMERICAN SECURITIES

STEPS have been taken by the British Government to accumulate a large lot of American securities in exchange for obligations of the British Government. That is, the holders of the stocks and bonds of American railways and industrial enterprises

have been asked to turn these in and take for them the promises of the British Government, these latter obligations to bear five per cent. interest, and to be taken at par, the holders of the exchanged securities to get the market price for what they surrender. On the score of income this exchange will perhaps occasion little if any loss, for the Government securities received will probably yield as much or a little more than the securities surrendered in exchange. But in taking the Government obligations at par a sacrifice will be involved so far as market value is concerned, for they are not worth so much. Presumably this sacrifice will be required chiefly of those who are well able to make it and who will be glad to give this proof of their patriotism in a time of grave national peril.

It is announced that the American securities thus gathered up are not to be employed in swamping our markets by their return in large volume, but will either be sent over to this side for sale or to be used as collateral for future loans. The arrangement, in short, is one which the British authorities feel constrained to take in protecting their exchange from still more ruinous depreciation than has already occurred. London has been called on thus far in the war's progress to make heavy payments to New York on international balance, and may have to pay out still heavier sums in the future. Great Britain must import large quantities of food and war materials from the United States and also pay a considerable part of the debt incurred by her allies for similar purposes. The stream of money pouring into London from American tourists, from interest on our securities and from payment of transportation charges has been seriously diminished by the war, and the supply of food and raw materials which Great Britain receives from her loans to other countries has also fallen off because the loans themselves have been curtailed through necessity.

All these remarkable changes, coupled with the demand made directly for war expenditures, render explicable the extraordinary step above mentioned and fully justify it. For 1916 it is estimated that the British expenditure for war will reach $9,000,000,000.

Great Britain, despite the tremendous drafts made upon the national resources for war purposes, is still a country of vast domestic wealth and holds billions of choice foreign securities, although much of the latter could not be realized on so readily as in the case of the American stocks and bonds. There have been times when the

collection of a vast amount of our securities in the manner indicated would have created alarm; but now the situation is different, and America can view the whole proceeding without serious concern. There is no purpose on the part of the British Government in taking this course to cause financial embarrassment here, nor is there much possibility that such embarrassment could be caused, under present conditions, to any serious extent even were the British Government so minded.

A DEPLORABLE BANK FAILURE

THERE was a bank failure at Pittsburgh last month—that of the Pittsburgh Bank for Savings—which in some of its published aspects was most deplorable. For instance, take this from the newspaper headlines and account of the failure:

"Fails with deposits of 41,000 children; Pittsburgh Bank for Savings collected pennies in city's public schools; board of education is protected, but not the pupils.

"Among the depositors are 41,000 school children who had $167,136.68 on deposit. By an agreement with the board of education, bank collectors weekly visited the 132 schools and got the children's pennies. These savings are unsecured. The board of education had $201,666 on deposit, but unlike the children, had good security."

There is the disgraceful story, and it is one which may well set the bankers of the country to thinking.

Taking candy from children has been something at which even those most completely lost to a sense of honor have balked. Is it any more honorable to take pennies from children?

Hereafter when collectors are allowed to go around among the school children, collecting their pennies, the authorities should require some guaranty that the sums so collected shall be placed in safe banks, otherwise the schools may come to be looked on as the abettors of unsound banking. Permission to solicit deposits from the pupils

could be refused to banks failing to give frequent and satisfactory proofs of solvency.

In a number of cities the banks that are members of the clearing-house are under the supervision of that organization and are examined by an examiner selected by it. This form of bank supervision is generally regarded as the best that can be devised and far superior, as a rule, to the supervision provided by the State and Federal Governments.

Pittsburgh banks are not at present under the supervision of the clearing-house. An attempt to introduce such supervision was made about three years ago, but was defeated on the ground that the clearing-house did not have such power. Had such supervision been installed this and other failures would very likely not have happened.

As a matter of fact a comparatively small number of banks are under clearing-house supervision, as the clearing-houses are confined to the cities, and only in a limited number of these do the clearing-houses provide for any form of inspection for their members. In California, some years ago, a plan was formulated for bringing into district clearing-houses all the banks of the state and to place all the members under clearing-house examination. This movement for more thorough examination of bankers by banks has been arrested by the Federal Reserve Act, which provides for additional Government inspection; in other words, for the multiplication of official inefficiency.

Whenever proposals have been made for some joint responsibility on the part of banks for the safety of deposits, the objection has been raised that this would put all banks on a par so far as safety is concerned and thus deprive the carefully managed bank of the reputation it has laboriously attained. But do not all banks lose whenever anything occurs to cast discredit or suspicion on any bank? Will not, for example, the banks of Pittsburgh lose more through this one failure in one year than it would have cost them to provide a safety fund for the deposits of all the banks in their city for many years? How will they lose? By withdrawals for hoarding, for depositing in the Postal Savings Bank, or by the general banking distrust which such failures always entail. Would it not have been real economy for the Pittsburgh banks to have shouldered this loss as the Chicago banks stood ready to do at the time of the Walsh

failures in Chicago? The munificence of Mr. Frick in coming forward and guaranteeing the children's deposits might well have been forestalled by the banks acting unitedly.

If all banks were safe, the banks in their work of gaining deposits would not have to combat that lurking fear of the safety of banks which still exists in many minds, and the task of building up deposits would be a much easier one than it is under present conditions.

Of course, if all banks were on an equality in point of safety, there would still be an ample field for competition in matters of location, service, etc. To-day the bank that in its advertising lays too much stress on its own safety is doing something that is regarded as more or less unethical. Such advertising would seem to be an implication that the other banks are unsafe.

It is often said that people in selecting banks should use discrimination; but what can the average citizen tell about a bank's condition by reading its statements? And in larger cities, especially, a knowledge of the responsibility of a bank's personnel is not an easy matter. But surely one could hardly expect that the Pittsburgh school children were competent to exercise that nice degree of discrimination which would enable them to determine whether the bank to which they were confidingly contributing their pennies was solvent or not.

There is another feature of this failure that deserves attention. The pennies which the school children had placed in the bank, amounting to $167,136.68, represented what is said to be an unsecured deposit, but the board of education had $201,666 on deposit which was well secured.

In looking out for its own safety while leaving the school children to shift for themselves, the Pittsburgh Board of Education was simply following the universal practice. The Federal and State Governments, the counties, municipalities, etc., have always exacted special security and take no risks in depositing funds in the banks. The governments mentioned appoint the bank examiners and prescribe the laws and regulations under which banks may operate. But while they are quite willing that people may take any risk that attaches to depositing in banks, they themselves refuse to incur such risks and exact special security for their deposits. The Pittsburgh case is rather flagrant. In substance the board of education said to

this bank: "You may go in and collect the pennies from the children without giving any security; but if you want any of our money, you must put up adequate collateral."

It would seem only fair that the people in their dealings with banks should have at least equal protection with the governments that devise the laws under which banks operate and that furnish the supervision whose laxness in nearly every instance is responsible for a bank's failure.

In the present year we are to have a national campaign for the encouragement of thrift, the principal idea to be inculcated being that it will be a fine thing for the people to come in and deposit their money with the banks. Side by side with this noble and beneficent work there should be a campaign among the bankers to see that speedy and effective steps are taken to remove forever the stigma from their profession of collecting from children pennies which are never to be returned.

TRUST COMPANY POWERS DENIED NATIONAL BANKS IN ILLINOIS

ILLINOIS has denied to national banks the right to exercise trust company functions under division K of section 11 of the Federal Reserve Act. The decision refusing such grant of power was made by the Illinois Supreme Court on December 22. A suit had been brought by the First National Bank of Joliet against the State Auditor of Illinois asking that a mandamus be issued commanding him to issue a certificate authorizing the bank to exercise the trust company functions granted in the Federal Reserve Act. The application for a mandamus was denied, and the court held that the State Auditor was justified in refusing to issue the certificate asked for, because the act in question, so far as the clause referred to is concerned, is unconstitutional and void.

While a copy of the decision itself is not yet at hand, we may be sure by reference to the particular clause of the Federal Reserve

Act that Congress purposely and expressly left a loophole for such interpretation of the law as has been made by the Illinois Supreme Court. Clause K of the Federal Reserve Act reads (in defining the powers of the Federal Reserve Board):

"To grant by special permit to national banks applying therefor, when not in contravention of state or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the board may prescribe."

It will be seen that Congress did not attempt to legislate on this matter in a way to override the state laws, but in this case the superior bowed to the inferior power. That Congress might have ignored the state laws is probably true; but the fact is clear enough that it did not so choose.

The decision is one of great importance, and it is likely to be followed in other states where similar litigation is pending. Furthermore, if substantially all the states shall be thus jealous of their rights, the effect on the longevity of the Federal Reserve Act may be far-reaching. No doubt it was the purpose of the act to bring together a large number of the banks in one homogeneous system; in fact, the view has been frequently expressed that unless this object shall be attained the Federal Reserve Act will be a failure. Possibly, in time, this view may undergo some modification. May not the existing state banks and trust companies go on exercising their customary functions, just as they have done in the past, leaving to the national banks and to the Federal Reserve banks certain other duties which they are specially equipped to perform?

As a practical matter, if the national banks had been everywhere clothed with trust company powers in addition to their ordinary banking powers, with the savings bank function which many of them were already exercising, they would have had a great advantage over the state banks and the trust companies. Indeed, the surprising thing has been that in the face of such complete competition staring them in the face the state banks and trust companies have shown but few signs of perturbation. Perhaps they had good reason to suspect that the provision of the Federal Reserve Act which threatened to bring about such competition would not stand the test of the courts. Could it hardly be expected that the states would yield their prerogatives in this matter? The laws relating to the execution of wills, the administration of estates and other trust company matters

are of peculiar concern to the state governments and that they should lightly surrender their control over property within the respective state boundaries hardly seems likely.

Thus perishes the dream of unifying the banks of the country under the Federal Reserve Act, and to centralize the banking system under the absolute domination of the Great Father at Washington.

Conceivably a Federal banking law could be enacted that would be so excellent that the great majority of banks would come into it voluntarily. But actually the Federal Reserve Act was so distasteful to the banks that substantially all the members of the new system were clubbed into it under threat of death.

If the decision of the Illinois Supreme Court is generally followed it will mean that the state banks never can be coerced into joining the Federal Reserve System.

THE COMPTROLLER'S ONSLAUGHT ON THE BANKS

NEVER did Don Quixote charge the army of windmills more valiantly than does the Comptroller of the Currency thrust against the national banks that, according to his story, are charging usurious rates of interest. What stirred up the usually suave, serene and placid temper of Mr. Williams was a statement by the executive committee of the National Bank Section of the American Bankers Association criticising some previous outgivings of the Comptroller against the usurious practices of certain national banks. It was the opinion of the committee that these practices were confined to some sections of the country and were not general. To this the Comptroller replies:

"Twelve hundred and forty-seven national banks in thirty-six states, covering seventy-five per cent. of the total area of the continental United States, exclusive of Alaska, in their statements of September 3, 1915, admitted under oath that they were charging on some of their loans rates in excess of the maximum rates permissible,

even by special contract, by the laws of their own states or of the United States."

The Comptroller makes his statement seem impressive by showing that the offending banks are located in states covering seventy-five per cent. of the total area of the continental United States, exclusive of Alaska. But his method is less impressive than it seems. For example, he says that in Maine there were two offending banks. Possibly they were all in one county—they could have been in but two—and yet the whole state is included in the offending territory. The number of banks given is about one-sixth of the total of all the national banks; but the Comptroller does not enlighten us as to what relation the business of these banks bears to the business of all national banks. No doubt it is insignificant, for generally the banks taking usurious interest are in the smaller towns.

The real point of the Comptroller's answers is shown in this quotation from his reply to the bankers' committee:

"During this same period, while so many national banks were charging excessive rates to customers, the Federal Reserve Banks were offering money freely to the national banks in every part of the country at rates varying from three and one-half to five per cent., according to the class of paper and time to maturity. There was no reason why sound, well-managed banks in any section could not have gotten at these low rates all the money required to supply the needs of customers, whether farmers, merchants or manufacturers, or why the national banks should not have loaned the funds to their customers in every case well within the rates prescribed by law."

The Comptroller does not point out how the banks would have gotten this money. Of course, he does not mean to imply that the banks could have sent along the notes they were shaving and had them discounted at the Federal Reserve Banks, for they hardly constituted that prime commercial paper which is the only character of collateral that can find lodgment in the elegant portfolios of those super-refined institutions.

It looks very much like Mr. John Skelton Williams is using the niche in the temple of fame to which accident has temporarily assigned him as a vantage point from which to try to make political capital by attacking the banks. He virtually says:

"Here are the banks, the wicked instruments of the money

power, charging the people usurious rates on loans, while a benevolent Government with a printing-press whose capacity is inexhaustible stands ready to hand out 'money' to the banks at from three and one-half to five per cent."

The inference from this statement is plain: if you will only keep us in power long enough, we will print so much "money" that it can be loaned without interest, and the country thus be rid of the incubus of banks and banking.

If Mr. Williams had designed merely to correct this indefensible practice on the part of a limited number of banks, he could quietly have done so through the inquisitorial powers of his office. What he has done is to make a vast noise about a comparatively trivial matter.

GROWTH OF OUR FOREIGN LOANS

TABULATION of the foreign loans of the United States since the beginning of the European war has been made by the New York "Journal of Commerce." It shows a total of $946,000,000, apportioned as follows:

Europe	$755,000,000
Canada	147,030,000
Latin America	44,000,000
Total	$946,030,000

Probably since these figures were compiled additional loans would bring the total well above the billion dollar mark.

No doubt after the war closes the United States must for a long time at least handle a very large proportion of foreign financing, for the nations that have hitherto undertaken this work will not be able to do much in that line until their own shattered finances are in a measure restored.

Fortunately, our ability to lend abroad has been increased by our

favored financial position, and we have made a beginning in the creation of the machinery that will help us in performing this service. If trade sharply revives in the United States, the demand upon us for domestic financing will be an added call upon our banking and capital resources. To meet these conditions we shall need to aggregate the country's surplus earnings into saved funds to the greatest possible extent. Educational work will also be necessary to show the desirability of such foreign lending from an economic standpoint. The recent Anglo-French loan made in the United States caused some bitterness, and many banks felt themselves under the necessity of publicly announcing that they were not participating in the loan. When the conflict is over, and its passions stilled, this element of national political bias will be eliminated, and our banks may then make loans unreservedly to any of the nations that are now engaged in war.

BRANCH BANKS FAVORED

RECOMMENDATIONS have been made by the Federal Advisory Council for several amendments to the Federal Reserve Act and to the National Bank Act. Here is a recommendation that will no doubt attract much attention:

"That the National Bank Act be amended to permit the establishment by national banks, having an unimpaired capital of not less than $1,000,000, of branches, provided that no branches are placed outside of the limits of the city where the bank itself is located."

State banks in a city may have branches under the laws of some of the states; and when these banks with their branches are absorbed by a national bank, the latter gains the advantage of having branches in the city where it is located, while the other national banks find themselves restricted to their one original office. That this gives some banks an undue advantage over others is unquestionable. And it is also equally clear that this would be remedied were the above proposed amendment to the National Bank Act adopted.

But would not such an amendment tend to have a more far-

reaching effect than merely to remove this inequality between national banks doing business in the same city?

It must be remembered that under the laws of some states the state banks may operate branches not only in the cities where the head office is located but elsewhere in the state. Suppose some national bank should gain control of a state bank with such privileges and then quietly create a network of branches all over the state, afterwards absorbing or merging the state banks and branches in the national institution. Would not then the same plea be raised that other national banks were placed at a disadvantage, and might it not be plausibly urged that all national banks having a certain capital should have the right to establish branches in the states where located? Of course, this would mean a general extension of the branch banking system throughout the United States.

When the Comptroller of the Currency recently permitted a national bank in New York to absorb a state bank with branches, and to maintain these branches, it was pointed out in these pages that this was probably the beginning of the branch banking system in the United States.

There is no doubt that with respect to local business the national banks of the larger cities are placed at a disadvantage in competing with state banks having branches. The effect of this is to restrict the number of national banks organized in cities where this condition prevails and to confine their transactions to some extent to the larger field of banking operations.

All this brings up the diversity in our banking system still existing and unreconciled under the Federal Reserve Act. We are yet far from that unification of banking in this country which many had hoped to follow the taking effect of this new measure.

RESERVE BANKS AS UNITED STATES DEPOSITORIES

FROM and after January 1st Federal Reserve Banks will act as depositories of the Government. The decision of the Secretary of the Treasury to carry out the provision of the Federal Reserve Act authorizing this action was thus announced:

"I have determined to appoint the Federal Reserve Banks depositories and fiscal agents in the manner indicated by the act. In order that the Reserve Banks may not be embarrassed by the addition of an unduly large volume of business upon undertaking their functions in this connection, I have decided to make a beginning by transferring to each of the Federal Reserve Banks the funds of the Government now on deposit with the national banks in each of the cities in which a bank is located, thus giving to each of the reserve banks the funds held by the national banks in its own city. Each Federal Reserve Bank will be required to perform on behalf of the Government the services which are now rendered by the national bank depositaries located in said cities, as well as any other services incident to or growing out of the duties and responsibilities of fiscal agents."

This order at present affects only the twelve cities where the Federal Reserve Banks are located, and probably involves the transfer of about $7,000,000, which under present conditions can be made without embarrassment or concern.

The transfer of the Government funds from the national banks to the Federal Reserve Banks is a part of the process of consolidation and concentration going on under the law. As a matter of convenience one would think that the Government should put its money where it chooses, just as do individuals and firms. While the use of twelve banks instead of a larger number will simplify the handling of the public funds somewhat, the Federal Reserve Banks can hardly supply the same facilities as fiscal agents of the Government as have been furnished by the national banks, for the latter are in much closer touch with the public than the former. In the Civil War times and subsequently when loans have had to be placed and popular support invoked, this intimacy between the banks and the people has been of great value and service to the Federal Government. The profits which the banks have derived from the handling of the public funds have never been very great, but many banks have considered the function to possess some publicity value and have advertised themselves as "Government depositories." Other bankers have doubted the propriety of a bank's calling attention to the fact that a part of their deposits were preferred. Possibly this may have been a case of sour grapes.

It is rather a curious fact that when the Comptroller of the

Currency has been insistent in holding the national banks to strict accountability for permitting overdrafts, some of the representatives of the Government have been surprisingly indifferent when drawing checks on local depositories whether Uncle Samuel had any balance to his credit or not. If this custom has been general perhaps the national banks will not care much about losing their Government deposits.

Another "New England"

The Break-up of British Conservatism

By A BRITISH BANK OFFICIAL

MORE than once of late months from the lips of one or other of our British "Elder Statesmen" we have heard the phrase "Out of this titanic war a new Britain will emerge; a new spirit is being born amongst our people." Maybe at times the sentiment is expressed as a mere rhetorical trapping to the speech, or forms perhaps the epitome of a well-balanced paragraph. But not often; oratory only is at a discount amongst us in these days, and our politicians do not weave their perorations with such skill and poise: "My speech needs no peroration; look at the casualty lists—they are my peroration," one speaker in the House of Commons recently said.

Is there then justification for this assertion that a vast change is taking place amongst us of the British race? To that there is but one answer—yes—and the causes, even if they are irregular and "patchy" in their incidence, are quite clearly defined in their operation.

Broadly speaking, the causes fall into the two categories of things moral and mental. Of the former I do not propose in a magazine of this nature to write at any length, and will only say that of the moral causes at work sorrow is the fountain head. Never in the long vista of years has mankind suffered such a holocaust of pain and sorrow as this gigantic war brings in its train; and never perhaps has that sorrow been more bravely borne than now. Be it noted I do not exclude our enemies from that modicum of praise, though I do not actually know if it be deserved. But amongst our Allies we do know that the terrific burden is being shouldered with as near a smile as we can manage and as light a heart as ever nations had in times of great stress and peril.

In Britain and its Empire the deeper the sorrow the more we vow to see this thing through; however long the furrow, we shall plough it to the end; and whatever didactic publicists of our own or neutral countries may say, the high and honorable purposes which dictated our entry into the war steel our hearts against the shafts of sorrow to such effect that our people are more united

now than history has ever known them to be before.

BRITAIN HAS FOUND HERSELF

BEYOND question, Britain has found herself. In the clash of the great world conflict she has made that priceless discovery. There may be much on the other side of the account. Countless dead to mourn, sorrow and anguish unquenchable, a debt to shoulder which expressed in figures carries no reality to the imagination and material loss in other ways that will take a generation and more to replace; yet there is a creditor side to the account. It is a trite commonplace to observe that only the historian can rightly gauge the value, cause and effect of great national events and only the historian will see how much Britain—to consider her alone—stood in need of some cataclysmic happening to arouse her people from their sloth, to rescue them from the peril of their ways and regenerate their moral fibre—but that line of thought leads to speculations innumerable. Let me content myself by saying that the war has done it; without a shadow of a doubt it is a finer, truer England that looks out across the broad Atlantic to the cousins who we feel are with us at heart, than the England that nerved herself to the conflict on that fatal fourth of August just a year ago.

I must here interpolate a mild apology to readers of these pages who have thus far borne with me and whose very natural criticism will be, "This seems more than a trifle removed from banking topics." But I take it that just as you bankers are vitally interested in the standing, business acumen and general respectability of the clients whose bills you negotiate and with whom you deal in the hundred and one ways of ordinary commercial life, so are you interested, and in the same way, in the England that will be after the war; for the curtain will ring down in time on the first act wherein the make-up of your British friends is all of a khaki hue and will ring up again on the second act. Are you not interested in what will be the mental make-up of those same actors who trod the boards in khaki in Act I?

The volume of trade passing between our two countries in normal times may well be described as immense, our rivalry in the many markets of the world is of the keenest, yet friendly, and it will be to the advantage of America's citizens to know and understand the "New England" that is emerging.

The man downtown in the theatre in the evening with his wife is the same man as comes to you to get an overdraft at the bank next morning to enable him to extend his business; if he is a straight dealer, he is straight all through. If he is a fool at his job in an office, he will not run his own affairs like a Solomon. To put the point at which I am aiming somewhat more plainly, let me recall that I said at the beginning of this article that the second category of causes that were changing this country was what for sake of a better nomenclature I called the mental category. This, then, is my point.

COMMERCIAL CHANGES

BRITAIN, looked upon as one great entity, is changing mentally and its effect so far as will be immediately observable by other nations will be in commerce. A modern nation lives and moves and has its being in its commerce. If its standard of education is higher, its commercial men will be cleverer, keener and more effective. If its political life becomes purer, there again commerce will be speedily following suit. Commerce will tell you the state of a nation's health. *"Mens sana in corpore sano"* was the ideal of the ancients. Let us liberally translate it and say "Healthy commerce lives in a healthy state."

What signs, then, portend this mental change in England? First and foremost there is in every department of our national life a craving for efficiency. Much of the press criticism of events, military and political, apart from one notorious group of papers—proceeds from a genuine desire to see business methods imported to a greater degree into the supreme task of winning this war, and in the shortest space of time.

Anyone who studies our press soon becomes aware of this idea of efficiency permeating the British mind at the present time; it has in part been brought about through the lesson we have learnt from Germany's magnificent powers of organization—and be it remembered that when Britain takes a lesson to heart she generally betters her master. Race prejudice you say? No, fact.

One outcome of the idea may be observed in the case of our present Minister of Munitions, David Lloyd George. I suppose no British statesman of any party ever had such epithets hurled at him as the late Chancellor of the Exchequer had to withstand before the war. His methods of finance called forth the opprobrium of well nigh all the vested interests in Britain; his name was almost used to frighten the babes as Cromwell's was in Ireland. And since the war? One incident suffices when it is recalled that an influential deputation of city financiers, backed by the governor of the Bank of England, asked for his retention at all costs as Chancellor of the Imperial Government for the period of the war. No greater tribute could be paid to the inherent genius of the man and its expression as a statesman eminently efficient, thorough, in everything he undertakes. The press that such a little while ago reviled him cannot find enough adjectives in the dictionary to sing his praises. It is a sign of the times. He did not remain Chancellor of the Exchequer as his magnetic personality was required to create the post of Munitions Minister and his magnificent work there is telling its tale on the battlefields of Europe.

NATION LEARNING THE VALUE OF WORK

ANOTHER manifestation of the new spirit may be found in the way in which women have been welcomed in the industrial and commercial world by employer and worker alike. In this connection I cannot do better than quote from a woman's article on the point which recently appeared in this country:

> "War has swept the idler from our land. The day has come when women, equally with men, must put away childish things. There are women who have already taken the tide to fortune—they are those who, trained and capable, waited like sentinels of progress for the call that came at last. Man has given them a generous welcome, and in the name of all the women who were ready when Opportunity beckoned, we thank them for it."

There you have the case in a nutshell, and I need only add that now women have proved their worth, under the stress of war conditions, they will remain a permanent feature of our commercial life when peace reigns once more.

In a final paragraph let me, in the briefest manner possible, point out one or two more instances without regard to literary form. At the very beginning of the war, most of the railways in the United Kingdom were placed under Government control. The working of them under such conditions has resulted in a tremendous curtailment of unnecessary competition and waste labor. The Railway Clearing house does not exist at present, thus saving a vast amount of clerical labor; out of the experience now being gained there will be

swept away many of the anomalies hitherto existing in our railway management. Another point worthy of passing mention is the interest Ministers are taking in revising our educational methods and this notwithstanding their already heavy burdens. Lord Haldane—driven from office by a caucus—almost a world-known educationalist, is transferring his energies to this sphere of activity and signs are not wanting that here again we will rival and outdo Germany's passion for secular and scientific education for the masses.

Lastly, the nation from top to bottom is learning the value of work, downright hard work. It is achieving a miracle in the nation, giving it an economic rebirth. It will be a veritable "New England" when peace on our terms and at no Kaiser's dictate comes to restore a sore-stricken world.

W. E. Crozier.

London, Nov. 19, 1915.

National Thrift Day To Be Observed

Thursday February 3 the Date

We should place in the hands of every teacher and pupil a new next-book, the keynote of which should be thrift.—Frank C. Mortimer.

PHILADELPHIA, which has the honor of having the first bank organized in the United States and the first bank chartered under the national banking system, and was among the earliest to enter the savings bank and trust company field, is again to the forefront financially by proposing that February 3, next, be designated as Thrift Day throughout the various states. The suggestion comes from Mr. G. Y. Clement of the Collins Publicity Service.

Besides having the distinctions above named, Philadelphia is noted for its propensity to thrift. It is said that although wages for skilled laborers are from ten to twenty per cent. less than in Chicago, St. Louis, Cleveland, New Orleans, Seattle, Portland and New York, yet the savings habit is so pronounced that more Philadelphia workmen have savings accounts in savings banks than in any other city in the United States proportionately, and that more of the workmen own their homes than in any other city in the country. In fact, it is said that year in and year out, every time the clock strikes during daylight two new homes for workmen are added in Philadelphia.

These facts make that city an appropriate birthplace for the Thrift Day idea.

Asked for reasons for his proposal, Mr. Clement said:

"Much attention has been given to directing the thought of the great American public to Mother's Day, Flag Day, Arbor Day, and other days. If we only consider the significance of directing the minds of the American public to thrift, we can see the wonderful possibilities in this endeavor.

"The necessity for the practice of thrift in this country, and particularly at this stage of our history, has received the attention and comment of the most prominent economists of our time and a start in this direction can well be termed the right start, and with great possibilities of benefit and profit to the

G. Y. CLEMENT

CHIEF OF STAFF OF THE COLLINS PUBLICITY SERVICE OF PHILADELPHIA, THE WELL-KNOWN ORGANIZATION DEVOTING ITS LABORS EXCLUSIVELY TO BANKING ECONOMICS AND FINANCIAL PUBLICITY FOR BANKS AND TRUST COMPANIES

A CONSIDERABLE portion of their several thousand clients will co-operate to give prominence to February 3 as Thrift Day.

Mr. Clement states that the Collins Publicity Service is to supply all its clients with Thrift Buttons to distribute on Thrift Day and is also furnishing window display cards calling attention to the day. Besides this, there is to be furnished newspaper articles on thrift and newspaper "copy" for advertisements for the local papers. Suggestions are also made to the bankers to secure the interest and co-operation of local clergymen and school teachers throughout the country in directing attention to the day.

Also, there will be furnished to banks who are clients of the Collins Service in towns located in practically every state in the Union, "copy" for circular letters, calling attention to the bank as a depository for funds with an especial invitation to call at the bank on Thrift Day. These letters are to be sent to their patrons and prospective patrons.

Besides advising every client of the Collins Organization to observe Thrift Day, Mr. Clement is planning to urge 14,000 bankers located in other cities to recognize the day and for them to give publicity to an especial invitation to the public to call and celebrate Thrift Day by opening an account or adding to one already maintained.

individual, the banks, and the community.

"It is a well-known fact that Americans individually earn more money than citizens of any other nation in the world, and at the same time are the greatest spenders. Out of 100,000,000 people there are registered in this country only approximately 15,000,000 savings accounts.

"In Switzerland, it is estimated, sixty people in every one hundred have bank accounts, and in other foreign countries there is an average of twenty in every one hundred.

"With the right kind of a nation-wide movement for individual thrift it is quite possible to foresee that twenty-five, or even fifty persons, out of each one hundred of the population can be registered on the books of the financial institutions of the United States.

"The fact that the United States is the wealthiest country in the world and

pays its skilled workmen the highest wages, yet has the smallest percentage of individual savings accounts, should set our bankers thinking," said Mr. Clement, "and awaken in them an inquiry as to whether they are doing that work in educating the people to become bank depositors which their own self-interest should prompt.

"Our backwardness in adopting some definite movement toward greater individual thrift has been, I think, responsible for the comparative smallness of our percentage of savings depositors. The establishment and observance of a day for the annual stimulation and cultivation of the thrift idea should do much to improve the situation. Concerted effort in the way of advertising, lectures and addresses, and possibly by some appropriate exercises in the churches and public schools, would certainly focus the public mind on the matter, leading to an immediate and important addition to the country's savings deposits and to a permanent and radical alteration in the attitude of the people toward the subject."

Mr. Clement was invited to explain his conception of thrift, and answered:

"By thrift I do not mean to imply

WINDOW DISPLAY SIGN FOR THRIFT DAY FURNISHED 15,000 BANKS

the mere saving of money by refusing to spend what one earns, or even to suggest a cheese-paring policy on the part of the individual. Thrift does, as a matter of course, call for economy and saving, but I think that in its broader conception it should convey the idea of getting the best value for one's money; yes, even getting the most out of life, for the thrifty are precisely those people who in the truest sense enjoy life to the fullest extent. They are vexed neither by satiety nor poverty, and are not dependent upon others, but so apportion their outgo to their income that the balance is always wisely adjusted.

"There is, furthermore," he continued, "a still wider meaning to the word 'thrift,' for it embraces industry, efficiency and discipline. It extends

THRIFT DAY BUTTON

Samples furnished clients with suggestions for distribution in every part of the country

from the individual to the community and the nation, and I am convinced that the policy of conservation of our national resources, which we have been at so much pains and expense to instill into the public mind, could be attained in no more effective way than by cultivating the thrift habit, for thrift always implies taking care of what one has.

"There are several aspects to the thrift problem," said Mr. Clement. "There is the individual side to the matter, and that is the one which most directly concerns Mr. Jones or Mr. Smith, as it does both you and myself. The individual prospers or not according as to whether he is thrifty or the reverse. He who is thrifty cares adequately for himself and family, escapes the woes of poverty, and ends his days in comfort. Very often he emerges from the class of employees to become an employer and capitalist, for thrift is the creator of capital. No one but the thrifty can be truly happy, since thrift calls always for a proper relation of the present to the future, of outgo to income, representing, in short, the well-balanced and well-rounded life.

"Then there is the national aspect of

the matter. Today the world is being depleted of its capital, and the capital-hungry nations are looking to us to supply their needs. We shall profit by lending to other nations, and profit much more than the mere interest derived from the foreign loans, because under the present situation many nations can buy from us only on condition that we first make them loans to supply their need for commodities or to carry on their great public works. In other words, the continued activity of our factories making wares for export, and as well the continued employment of labor, depends to no small extent upon our ability to lend money abroad. And we can lend money only by first saving it. This is the national, or perhaps I should say the international, phase of the matter.

"As to the banking side of Thrift Day, the banks certainly would gain immediately by having the public attention directed to them in this striking manner, and would surely have a large increase in their deposits on the day in question. But more than that, they would continuously profit by the permanent interest that would follow a campaign of this character.

"It may sound a little like preaching," Mr. Clement concluded, "to say that while Thrift Day would be to the material side of humanity what Sunday is to the spiritual side, it would nevertheless be of no insignificant moral force. Thrift is attained in its highest form only through the practice of self-denial. It is a disciplinary process and conduces to good citizenship. We perhaps need to speak and to write about thrift, and especially to practice it, more now than ever. The people of America are now prosperous. Will that prosperity be wisely employed for the benefit of individuals, the welfare and happiness of the whole people and the enduring good of the nation? That is a problem, and a serious one, too, which may well receive the careful attention of our people on Thrift Day."

Chinese and American Exchange

By HON. CHARLES DENBY

IN a market where the standard of currency is subject to variations, the conduct of business presents difficulties not found where there is a stable standard of exchange.

This condition prevails in those countries which have not yet been brought to a gold basis and where silver fluctuates daily in comparison with gold.

China remains the largest silver standard country of the world to-day, and it is there that we find that uncertainty of the sterling value of silver effects the greatest complications in commercial transactions.

The buying and selling of "exchange," as it is called by the bankers of Shanghai, which is the commercial metropolis of China, exceed in importance all the other functions of the banks. The gold value of silver determines for the Chinese importing and exporting firms their attitude towards every transaction that is submitted to them, and it is hardly too much to say that a firm's ability to forecast the fluctuation in the value of silver is the deciding element in the success or failure of their various transactions.

If a merchant is buying sheepkins in Mongolia for shipment to the United

States, his transaction will be profitable if the silver which he has paid increases in value at the time that he offers the skins for sale.

The standard of value in China is a Chinese ounce of pure silver, about 1 1/3 ounces avoirdupois, which is called a tael. This tael, however, varies in weight by a small percentage in different parts of the country; as, for instance, the tael of Peking weighs more than that of Shanghai or of Tientsin, while six other tael weights of six other money centers are none of them identical.

If the merchant who has bought the sheepskins has paid, for example, one tael for each skin when the tael was worth fifty cents gold, and can sell them at a tael apiece when silver has so risen as to be worth seventy cents gold, he would make a satisfactory profit on the transaction out of the exchange only.

Similarly, if a merchant imports an automobile costing $1,000 gold at a time when the tael is worth fifty cents, he must get 2,000 taels for it in China if he is to cover his purchase price. If the price of silver has risen to seventy cents per tael before he has sold the machine, its silver value will have decreased to taels 1,400, so that he will be able to offer it at a greatly reduced price and still cover its gold cost.

So it works out in practice that a low price of silver encourages exports from China to gold standard countries, while a high price of silver encourages imports from such countries into China.

If one tael of Chinese silver will buy seventy gold cents' worth of American goods, the Chinese will buy, while if fifty gold cents will buy one tael's worth of Chinese goods, American merchants will buy.

THE ratio between gold and silver in the Chinese market is a very interesting study. As a general rule, for centuries past, the Chinese have been sellers of gold. In the 13th century when the great Venetian traveller, Marco Polo, wrote of his visit to the capital of the Mongol Emperor at Peking, the ratio of silver and gold was ten to one. In some parts of the country where gold was produced in large quantities, as in the Province of Yunnan, for instance, gold was only worth

HON. CHARLES DENBY

VICE-PRESIDENT HUPP MOTOR CO., DETROIT, AND FORMER U. S. CONSUL GENERAL AT SHANGHAI, CHINA

Mr. Denby was born in Evansville, Indiana, November 14, 1861. He graduated from Princeton University and was appointed second secretary of the American Legation at Peking July 1, 1885. On October 20, 1893, he became First Secretary, and was Charge d'Affaires from March 17 to October 27, 1894 and from May 14 to August 1, 1896. He resigned as First Secretary of the Legation in November, 1897. On July 18, 1900, he was appointed Secretary-General of the Provisional Government established by the Allied Powers for the District of Tien-tsin, and from 1902 to 1905 was adviser to the Chinese Government. He was appointed Chief Clerk of the Department of State November 16, 1905. A little later Mr. Denby returned to China, becoming Consul General at Shanghai April 15, 1907. On May 17, 1909, he became Consul General at Vienna. He was a delegate to the Third International Opium Conference at The Hague May 29, 1914.

Since his retirement from the diplomatic service Mr. Denby has been engaged in business and is now vice-president of the Hupp Motor Co., Detroit, Mich.

eight to one. So rich was Yunnan in gold that in those days a common saying with regard to the rich man was that his father must be Governor of Yunnan.

It is noticeable that in Europe, in Marco Polo's time, the ratio was twelve to one, and generally throughout the centuries of foreign intercourse with China silver has been worth more there than abroad. The ratio of ten to one continued until the end of the 17th century. In 1870 only did the Chinese and foreign quotations reach parity in the historic Bryanic standard of sixteen to one. At present silver is worth slightly more in China than in New York, and there is a small but constant outflow of gold to the United States.

There are considerable areas in China where alluvial gold in small quantities is found, and there are constantly coming to Peking from the placer mines of Thibet, Mongolia and Manchuria, supplies of the yellow metal. Washing for gold is practiced widely in the mountain streams of China, especially in Yunnan, Shantung, Szechuan, Chih-li, Hunan, and to a lesser extent in many other provinces. It is not unusual for the traveller to see dozens of Chinese washing the gravel in the beds of shallow rivers for the tiny specks of the yellow metal which reward their toil. The fact that this industry continues year after year in the same localities would seem to indicate that the summer torrents replenish the deposits.

I have had some interesting talks with Chinese miners as to where the gold comes from, and have often heard the superstition referred to that somewhere up in the mountain gorge a fabulous bird lays a golden egg, of which they pick up the fragments. The Chinese peasant has an idea that the foreign prospector has uncanny powers for the detection of gold veins in the ground. Once in Shantung, in the hills of the gold bearing country, I was wandering about alone, with an unintentionally downcast visage, when I was accosted by a Chinese gold-washer making his way through the hills, who solemnly inquired how many feet into the ground I could see.

ASIDE from the fluctuation in the value of the two metals as commodities, banking transactions based on the demands of markets for commercial paper in various parts of the world cause rise and fall in the exchange value of gold and silver, and herein lies the greatest field for the display of banking ability.

When a banker in Shanghai is asked what he will pay to-day in Shanghai taels for a bill of exchange on New York, the first consideration which influences his decision is the general world value of silver and gold, in view of the world's supply. Then he must consider the demands of foreign markets; but, finally, he must bear in mind the particular needs for commercial paper of his own bank. If mining conditions throughout the world indicate an increasing silver production, the general tendency will be towards a cheaper gold price for silver. If the Mexican or Indian mints are actively engaged in coining silver, as often happens, there will be heavy purchases by these governments, which will tend to send the price of silver up. If the particular bank considering the transaction has on its own books a larger demand for money in America than it has for money in China, that is if American banks have drawn more largely on the Shanghai banks than the Shanghai bank has drawn on the American banks, the tendency will be to pay more for New York exchange. The determination, therefore, of the Shanghai rate for a bill of exchange on New York is the result of a calculation based on demand and supply, credits and debits of different markets of the world.

This leads to the importance of the exchange brokers, of whom there are a number in every Chinese city. In Shanghai, particularly, at the opening of business the exchange brokers dashing in their carriages from bank to bank, and

from firm to firm, are a familiar sight. Every broker has a certain number of clients among the large firms, and before the banks open he goes from one firm to the other, asking what their exchange needs may be for the day. He will find that some firms want to sell drafts on London or New York or Berlin, or Calcutta, while others want to buy. With this information in hand, he goes from bank to bank, finding what their offering is, dictated by their own needs, and thus buyer and seller are brought together on the most mutually advantageous basis and the broker receives from the bank a commission on the business. This commission amounts to a large annual revenue for a popular broker.

Amongst the Chinese banks of Peking in the days before the telephone, there occurred an interesting daily function, which was the fixing of exchange between gold, silver and copper, as well as the exchange between the different Chinese cities. The leading Peking bankers met at the Bankers' Guild in the southern city at 7 a. m. Each brought with him a number of carrier pigeons, and when they had decided on an exchange rate for the day, the pigeons were released with messages advising the rate to their central and branch banks throughout the city. This picturesque feature of Peking finance has given way to the "Hello girl" who now manipulates the telephone.

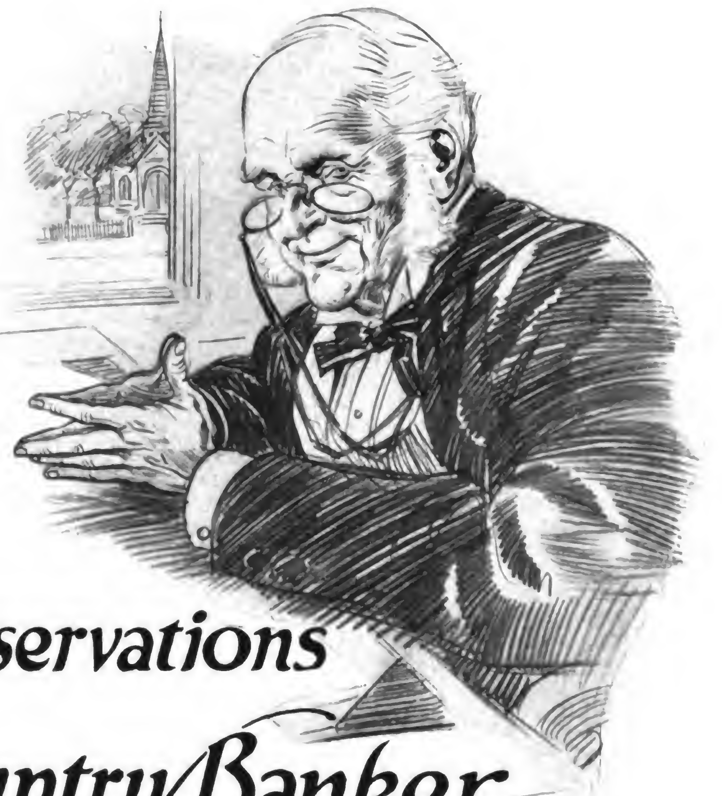
THE great European war has upset all the financial ratios in China, and has brought about a condition of distress amongst the importing and exporting firms in the leading Chinese markets. In normal times, Europe and America took enough of the silk, straw braid, hides, wool and tea of China to maintain a fairly stable exchange for the Chinese tael. Now Europe buys no silk at all, nor straw braid, and the large markets of Germany and Austria are closed by the British fleet to the hides, the wool, and the tea. The result is that instead of using the gold of Europe to buy Chinese products, and the silver of China to buy European manufactured goods, the silver piles up in China looking for investment, and the gold is hoarded in Europe as security for war loans.

There are at the present moment more than 60,000,000 gold dollars' worth of silver stored in the vaults of the foreign banks in Shanghai, bearing no interest. The Chinese fear to invest the money, in view of the disturbed condition in their own country, and the low rate of exchange makes it unprofitable for them to send it abroad.

Recent China papers report that the low price of silver has so deranged the trade of the importers that a number of them have been driven into bankruptcy.

THE remedy for the distress caused by fluctuation in silver value might be found in the adoption of a gold standard, and the placing of the country upon a gold currency basis; but the difficulties of this procedure are overwhelming. For China to adopt a fixed rate of exchange between silver and gold would require a large reserve of gold, which China cannot now obtain.

In talking with some Chinese financiers some years ago, I advanced the suggestion that the adoption of the gold standard would solve their exchange difficulties. They replied, "How are we to get the gold? Do you recommend that we do as Japan did when she went on a gold basis; that is, wage a successful war and exact a gold indemnity?" Japan used the war indemnity exacted from China in 1895 to readjust her currency. Moreover, the Chinese people are so used to the silver standard, which serves quite well in their enormous domestic transactions, that the great mass of the merchants throughout the interior would resent a change of standard and the consequent loss of a profitable local exchange business of the money changer and the country banks.



Observations of a Country Banker

(The Holidays Inspire Philosophy)

THERE are two kinds of Christmas giving—the kind you can afford and the kind you are still paying for when the next Yule log is being pulled from Life's sentimental forest.

NO cashier of mine ever slipped off the ragged edge and went down to oblivion. The first day I see him with a striped shirt, or clipping race charts from newspapers, I hold one of those confidential little talks of mine.

YES, indeed; I've had many opportunities to leave the small home town and start business in a bigger way in a bigger place. But the bonds of the heart have always pulled too hard at the last moment—I just couldn't break away. Why? That's a difficult question. If you had been raised, as a boy, and then grown up with the peace and quiet of this sort of environment, you would understand. If I was asked to take an inventory of my sentimental stock—if I set about putting pleasure-dividends on paper, a part of the proceedings, at least, would run like this:

One bright little thread of a street where the farm wagons stand ready for their shop treasures and the warm, rich blood of our territorial prosperity flows in a steady stream.

One snow-white church, with a glimmering spire, set deep in the heart of a clump of elders. On fair days, the doves wheel endlessly in the very shadows of the cross and a thousand birds riot under the straw-stitched eaves.

One modest home, on Live Oak Hill. It is hemmed in by the sort o' roses a white-haired wife of fifty ALWAYS plants. Bees hum throughout the long-drowsy summers, and if you know love at all, you will recog-

nize the subtle influence of it as you pass that way.

I might move to more profitable commercial quarters, but the strong boxes and safe-deposit vaults of the city are not large enough to hold the Wealth of Memory. I can't afford to leave it all behind.

JUST last evening a little, quiet, soft-spoken man came over to the bank and asked to talk with me in my private office. It was late, but I couldn't refuse.

"Didn't I see you take a big basket of food stuff over to that destitute widow over on Factory Avenue, one day last week!"

"I want to borrow some money—not a large sum," said he, "until after the holidays."

"Did you ever borrow any of our bank before?" I asked.

"No, sir," he replied.

"Have you any property?"

"No, sir."

"Your wife any property?"

"No, sir."

"Business of your own?"

"No, sir—I'm on salary."

"Can you give me any substantial guarantee as to WHEN this money will be paid back?"

"No, sir—but my word has always been as good as my bond."

I looked at him in silence for a few minutes, and then continued—

"Didn't I see you take a big basket of foodstuff over to that little destitute widow on Factory Avenue one day last week?"

"Yes, sir," was the reply.

"All right—you can have your loan," I said, and gave it to him.

It was a personal matter—not a piece of banking business. You see, I've found that sort of a man ALWAYS pays his debts.

A FRIEND of mine started a "Farmer's Bank" down in Dahlonega County. The bank failed the second year. It wasn't because the president didn't have a "business head"—it was because he didn't have a "Farmer's Heart."

"WHY don't you start a little bank account," I once said to a village chap of casual acquaintance; "you are earning a comfortable salary, can well afford to lay some aside every week, and you'll surely marry a nice, sensible girl before so very long."

"I've wanted to start an account for three years, sir," was the stammering reply.

"Then, why haven't you?" I persisted, in genuine surprise.

"Well-er-er-" he answered, blushing like a basket of fresh-picked poppies, "I was ashamed to go up to the receiving teller with less than a whole lot."

I put my arm around that big, overgrown boy and I said: "Sonny, if it wasn't for the baby accounts—the five and ten dollar beginners, there wouldn't BE any bank at all. We're ashamed of you when you come with as much as a hundred—it's proof of bad management. You might lose it, or have it stolen from you."

SOME small town banks are like some small-town people—they're so dressed up in fancy togs that don't become 'em or the place they were born in, that simple folks never get enough courage to scrape up an acquaintance.

WE'VE had hard times in our country and the light is just beginning to break through.

Crops and timber couldn't move because of the War and Main Street was piled head high with the finest cotton the red hills of Georgia have produced in fifty years. You couldn't step without crushing a handful of fluff. And over in Atlanta big saw mills shut down in spite of themselves—had turned over floor space for storage purposes.

Our little bank never winced, although the hurt of it all was cutting well-nigh to the bone. It got so bad that the cotton bales in front of the building made it hard for farmers trying to borrow money to get in.

I kept a sharp eye on the situation and was such a strong believer in Providence straightening out her own tangles that we steered off the rocks as nice as you please.

"Some of th' farmers you loaned money to may go broke and never pay back," a pessimistic stockholder in the bank suggested.

"I'm loaning that money to the good Lord Himself," was all the answer I cared to make, "and there's nothing on record to show that HE ever went broke. I loaned money only to th' God-fearing. They can borrow sunshine from above and we'll get our loans back, plus the sort of friendship you can't contaminate. Facts are bearing me out—both of these parties are making good—look out of that window—did you ever SEE such sunshine!"

THERE was a hungry-looking chap in our community who cried when he saw the bags and stacks of currency and gold. One day I went up to him and remarked:

"Henry—why does money affect you that way—are you envious? Have you the instincts of a miser and don't realize it?"

"It ain't persactly that, Mr. President," he answered, still wiping his eyes and goggling through the wickerwork at the money. "I always wonder if folks will earn all there is and git it in th' bank before I kin scrape up MY share!"

"There was a hungry looking chap in our community who actually cried every time he saw the bags of gold and the stacks of currency."

I SAW a machine for laundering green-backs recently—you slipped a bill in, all soiled and crumpled at one end, and it came out crisply new at the other. Reminded me of the USE to which different people put money—some put it in circulation and it comes out morally soiled—others use it as a wise means of making men over again. When God created Man and Human Nature He invented the first dollar-hopper.

YOU can never tell by the clothes a man wears the amount he has on deposit. Take Old Ephriam Hannock, for example. Every time the time rolls around for him to buy a new suit, he gives our receiving teller the amount it would cost if he'd bought it. Money is money, but I take a great deal more interest in the little four-dollar deposits of the young man who doesn't keep his pride and his self-respect in a locker-box, too.

GREEN is the popular and prevailing color scheme at Christmas time. Some mighty happy folks keep a conservative amount of the "long" variety in our institution.

"IT is more blessed to GIVE than to receive." So the adage runs, but a powerful lot of this false-pride Holiday giving leaves depleted bank accounts. A hearty, whole-souled handshake; a God bless you, and a ten-cent Xmas card should satisfy a sensible person and it causes a lot less clerical damage to your bank-book.

WILLIAM was a fine man. No one ever questioned that for a second. He married happily, raised a husky little family and was a loved and respected member of our home town community. William made a modest salary—

Yes . . . . that was it . . . . William had invested ever since he was old enough to count ten, but somehow or other he never seemed to make those investments of his "pan out."

fifty dollars a week. I know, because his employer is a personal friend of mine.

At fifty-two years of age William was drifting along nicely, but his bank account with us had never been more than five hundred.

I asked the Mrs. why, one day—why William, as saving as he was—didn't put more away for the inevitable time when his machinery would rust and slow up.

She looked at me reproachfully:

"Will is investing," was the response.

Yes—that was it—William has invested ever since he was old enough to count ten, but somehow, or other, he never seemed to make those investments of his "pan out."

I figured out what William would have saved if deposits had taken the place of "investments."

Nearly ten thousand dollars.

There must be more than a fool born a minute—the popular percentage of one per seems sort o' low to me.

W. LIVINGSTON LARNED.

Maximum of Efficiency in Business-Getting

EVERY bank in the United States that aspires to grow in deposits is naturally interested in increasing its efficiency along business-getting lines. New business managers and bank publicity experts are employed to devise and put into operation result-producing methods for securing new business. Thus, through new business specialists, thousands of dollar are expended each year for new accounts. That it is paying banks well anyone acquainted with "deposit building". will testify. Bank deposits are growing in volume as never before in the history of the United States, with every indication that they will continue to increase. On the subject of business-building Mr. Morehouse of the German American Trust and Savings Bank, Los Angeles, writes the editor:

W. R. Morehouse

PUBLICITY MANAGER OF THE GERMAN-AMERICAN TRUST AND SAVINGS BANK OF LOS ANGELES

"In my fourteen years of banking experience, much of which time has been given to a study of business-getting and business-conserving, one success in particular stands out above all the rest. In fact, the results of this one effort are so large as to be almost unbelievable. It is not that some marvelous plan has been contrived, but that a simple plan has been made to produce phenomenal results. Merely by bringing into use that portion of the bank's quarters which have been seemingly neglected, *the bank windows*.

"If the quarters now occupied by our banks were occupied by our merchants, it is certain the merchants would make good use of every window—in fact, could not continue in business without them. If the window space is worth so much to the merchant, isn't it worth something to the bank for display purposes?

"This brings me to the subject of maximum efficiency in business-getting. Here it is. The German-American Trust and Savings Bank, Los Angeles, by using four displays in its windows since last February, has secured as the direct results of these displays, 3,000 new savings accounts, at a cost of less than $300. Ordinarily, savings accounts are considered worth from one dollar up. A conservative estimate, for example, is $1.50. These accounts are worth $4,500, which means that in eleven months, on an investment of $300, the bank referred to has secured a profit in new business of $4,200. This, therefore, is what may be termed 'a maximum of efficiency in business-getting.'

"After meeting with the phenomenal

CHRISTMAS DISPLAY. DISPLAY CABINETS USED IN WINDOWS ARE DECORATED IN A SIMILAR WAY GERMAN-AMERICAN TRUST AND SAVINGS BANK, LOS ANGELES, CAL.

success cited," Mr. Morehouse continues, "I made a thorough study of window displays in connection with the banking business, and through months of experimenting designed a style of cabinet which is unique in many respects. It is made-to-order in oak or birch, and stained to match the bank's equipment where it is to be on display. The lighting system is indirect, and so reflected by the use of mirrors as to show sixteen safes in the display, when in fact there are only four actually used.

"My display cards are original and only items of interest used, especially

EIGHT DISPLAY CABINETS MAY BE COUNTED IN THIS PICTURE. GERMAN-AMERICAN TRUST AND SAVINGS BANK, LOS ANGELES, CAL.

items which bear directly upon the saving of money and which emphasize the fact that there is just as much pleasure in saving as there is comfort in old age, the result of having accumulated a few thousands.

"There is a display card for every week in the year, and one or more cabinets for leasing to every bank interested in the 'maximum of efficiency in business-getting.' The exclusive service to one bank in a city makes the opportunity more advantageous."

Anyone interested will receive information in full by addressing Mr. W. R. Morehouse, who is the patentee of the display cabinets and whose series of display cards are copyrighted.

New Vice-President of the Merchants National Bank of New York*

MR. EDWARD HOLBROOK, who has recently been elected vice-president of the Merchants National Bank of New York, has been a director of that institution for the past fifteen years, but is widely known among New York's prominent business men through his long connection with the Gorham Manufacturing Co.

Mr. Holbrook entered the Gorham employ as a salesman in 1870 after a short business career in Massachusetts, where he was born and received a public school education. Through successive stages he became agent of the company in New York in 1875, treasurer in 1887, and president in 1894. Since the latter year he has been both president and treasurer and the moving spirit in the wonderful growth and development of this great industrial organization.

When Mr. Holbrook first became connected with the Gorham Co. it occupied a small plant in the city of Providence, the New York end of the business consisting of a little store, 26 x 52 feet, in Maiden Lane, and the total turnover was some seven or eight hundred thousands. Now it is as many millions.

The New York store now occupies the spacious building at Fifth avenue and Thirty-sixth street, and the plant now covers many acres in Elmwood, one of Rhode Island's attractive suburban villages. Here the company, through the inspiration of its president, conducts a savings bank for the promotion of thrift among its employees and a loan company for making small loans at reasonable rates to employees in temporary need. A pension system for retiring workers has been put in operation and other welfare work undertaken, all of which has made the Gorham plant a poor place for the operation of the labor agitator.

Mr. Holbrook has himself presented the employees with a fully equipped casino which is the center of the social gatherings of the employees of both sexes.

Besides being president and treasurer of the Gorham Manufacturing Co., Mr. Holbrook is a director of the American Brass Co., the American Coal Co., the General Fire Extinguisher Co., the Harriman National Bank, and of numerous other corporations, but his favorite directorships are those of the Merchants National Bank of New York and the Rhode Island Hospital Trust Co. of Providence, two conservative financial institutions of high ideals, which have long sustained the soundest traditions of American banking.

Mr. Holbrook's election to the vice-presidency of the Merchants National Bank brings him into closer and more active relation to that institution, and gives to the bank the benefit of his long and successful business experience.

*A portrait of Mr. Holbrook is presented as a frontispiece in this number of The Bankers Magazine.

Banking in the Days of Rome

By NOBLE FOSTER HOGGSON

IMPRESSIVE and interesting are the ruins which remain of what once were the banking establishments of the Roman Republic. These offices were situated in a row along the north side of the Forum on the street called Janus, the Wall Street of the time. This spot is known to have been frequented by bankers and money changers since the fourth century B. C., although the present buildings date from a period two hundred years later. When reconstructed they were amalgamated into the Basilica Aunila, the new courthouse built by Lucius Aeurilius Paulus, overlooking the public square.

The offices were distinguished by numbers on pillars of the portico outside. We find reference to one of them in the works of Catullus.

Our sense of the actuality of ancient civilizations is, perhaps, never stirred so strongly as when we look upon the scenes of their everyday transactions. The Parthenon and the Coliseum fail to give us that feeling of intimacy with the Greeks and the Romans which we have when we see what is left of the less pretentious buildings in which the ordinary business of the day was carried on.

The well-worn marble floors of these re-discovered offices were found covered with loose coins which must have been scattered at the time of a great fire, as many coins have been melted and welded together and cemented against the marble slabs of the pavement.

An ancient bank consisted of a large, solidly constructed, though ill-furnished and badly lighted apartment in which the money-changer sat on a high stool with his coins spread out before him under the protection of a wire netting.

An American teller would speedily have felt at home in these surroundings. We are apt to think of Roman bankers merely as money changers, forgetting that the broad and complicated commerce of Rome required a banking system of nearly as high a development as our own. A part of an ancient banker's daily routine would include the opening of accounts, the receipt of deposits, the issuing of bills of exchange, the furnishing of letters of credit, the making of loans, the purchase of mortgages; in fact, most of the transactions performed by a modern cashier and his assistants. Interest was paid on time deposits, such deposits being termed credits as distinguished from the deposits which were deposits subject to call, and on which no interest was paid. The rates of interest in use were, at first, high, but decreased in the last days of the Republic until, under the Empire, they were close to the modern rates, two and a half per cent. being once recorded.

Although we have no evidence as to the existence of regular savings banks, we know that money could be put at interest or laid by for future emergencies in three ways: first, by trusting it to bankers; second, by entrusting it to priests, and third, by depositing it in safes guaranteed by the state.

Ample facilities were furnished by the state for the safe-keeping of money and other valuables. Public repositories were maintained by the government in which the citizens were given the use of guarded safe deposit vaults. The ruins of the buildings used for this purpose, some of which are of vast extent, give us a very definite idea of the solidity of the Roman economic system and the secure and firm foundation upon which its wealth was founded.

It savors of triteness to say that the Romans built for eternity, yet the words are expressive. Great care was lavished on unobtrusive details, and flimsiness of construction, whether of the building of a public repository or the organization of a department of the government, was ever avoided.

CHARLES B. WARREN

PRESIDENT DETROIT BOARD OF COMMERCE

MR. WARREN has been president of the Detroit Board of Commerce since March, 1914, and has been active in making that organization one of the most prominent factors in the upbuilding of the city and in the development of its civic life. He is a native of Michigan, having been born at Bay City in 1870. After graduating from the University of Michigan in 1891 and Detroit College of Law in 1893, he entered upon the practice of law, in which profession he has won high rank. In 1896 he was associate counsel for the United States before the Joint High Commission to determine the Bering Sea claims, and in 1910 counsel for the United States in the North Atlantic Coast Fisheries Arbitration with Great Britain before The Hague Tribunal. Mr. Warren was a delegate at large to the Republican National Convention of 1908, and in 1912 was elected a member of the Republican National Committee and of the executive committee. He is a director in several Detroit corporations.

DETROIT'S SKYLINE

Detroit

Its Progress in Industry, Commerce and Banking

IN the past five years the gross value of Detroit's manufactured products increased by $149,872,000, or more than fifty-nine per cent. A prominent banker recently stated that he could readily name at least one hundred Detroit business men who are worth a million dollars and over, and that they have accumulated their wealth in the last eight years. The remarkable development of the automobile industry is chiefly responsible for this extraordinary prosperity.

ONCE this was called "The City of the Straits," but in these days that finely-descriptive title seems outworn, and we now have "Detroit the Dynamic City," and "The Wonder City." No one has yet suggested "The Wheel City," doubtless for the reason that with the multiplication of craft for air navigation this name also might soon become obsolete.

This is all by the way. The impressive fact remains that Detroit is growing in wealth and population at a really amazing rate. Only a few years ago it

DETROIT BOARD OF COMMERCE

was hardly more than an overgrown country town; to-day it is a metropolitan centre with a population close to 750,000, and traversing toward the million mark at a rate which assures the reaching of that point by the time the census of 1920 is taken, if not before.

But the numerical increase is but a small part of the stupendous change so recently brought about. The crowded streets, the many large and elegant shops, the numerous new skyscrapers, the endless procession of automobiles making the regulation of street traffic a grave problem, the splendid and imposing hotels, and countless evidences of wealth, fashion and luxury—all these things unmistakably point to the fact that Detroit has sprung with suddenness into the ranks of the great cities of the United States.

What has wrought this quick transformation? The automobile industry undoubtedly has been responsible for the chief part of it, as will be shown in more detail later, but this is but one of the phases of this remarkable story of progress. Dwelling for a moment on this particular industry, was there any special reason why it should center at Detroit? The answer to this question by those most competent to answer it is a negative one. They say that the city was not a steel centre, and while not far from the great Northern iron and copper ranges, the iron goes largely to Pittsburgh for conversion

CAMPUS MARTIUS, DETROIT

into steel. It is said that the automobile industry was started in a modest way here, and that these beginnings were successful. This caused other manufacturers when deciding on a location to choose Detroit, simply on the score of demonstrated success. The mechanics and the machinery for carrying on this branch of manufacture in its early stages had first developed here, and the subsequent growth was merely along the line of least resistance.

No inconsiderable part of the growth of this great industry has been due to

GRISWOLD STREET

intelligent and effective banking coöperation, and in making this statement the fact is not overlooked that one of the greatest of the factories was financed without banking support of any kind. But the fact remains, nevertheless, that Detroit never could have reached anything like its present preëminent position as an automobile centre but for the wise and broad policy of the banks of the city. They have had the foresight to discern the really immense possibilities of the industry and have been prompt to provide the necessary banking aid to assure legitimate expansion; but they have by imposing salutary restraints kept the various enterprises in safe bounds.

It may be suspected that some of the reasons for Detroit's growth are not far to seek. A hardy race of people, dwelling in a northerly latitude, on a large and fertile peninsula washed by river and lakes, is likely to give a good account of itself. Michigan's natural resources of farm, mine and forest—the latter somewhat lessened in recent years through early prodigality—were and still are very great. A high standard of citizenship has tended to give free play to the industry and inventive faculties of the people. Pride in the state's institutions and history is everywhere manifest. This observation is peculiarly applicable to the state's chief city. "Come to Detroit, where life is worth living," has been a favorite slogan of its people.

Water navigation has indisputably contributed to Detroit's growth, though perhaps now a less important factor than formerly. The Detroit River is one of the world's busy waterways, carrying an immense traffic from the North and Northwest to the Eastern lake ports and to the seaboard.

SPIRIT OF THE PEOPLE

BACK of the growth of cities lies always the spirit of the people, and one would long and diligently search for a more resolute and united spirit

to work in behalf of development, prosperity and civic betterment than may be found in Detroit. True enough, some of the newspapers hurl violent language at each other as the supporters of corrupt elements in public life, zealous preachers declare it to be a wicked city, and an art director charges that civic pride is declining—but the spectator who calmly looks on these things knows them to be the infallible signs of a healthful progress. A city that is corrupt and contented may well be looked on with disapproval, but where even a slight tendency away from the highest standard arouses the continued and heated protests that one hears in Detroit, it may be safely set down that the city is making a tremendous battle to put its house in order. Any city that in a short time leaps forward to great prosperity encounters serious problems, such as Detroit is now grappling with, but solves them finally in accordance with the best traditions of American citizenship. And that is what the Michigan city will do, and is doing, beyond question.

WOODWARD AVENUE, LOOKING SOUTH FROM THE PARK

The church-going proclivities of the people strike the visitor from less devout regions. At a large church on a recent Sunday night every seat was taken and many were standing in the aisles. Was this because the speaker was a man of national reputation or the theme a sensational one? No; the speaker was of modest reputation and his theme Savonarola the Florentine reformer. A large attendance at practically all the churches is said to be the rule.

The labor situation has been well handled, too. This has been due largely to a disposition on the part of employers to pay good wages and to take an advanced position in welfare work. It must be said, however, that the labor problem was a comparatively simple one because the chief part of the labor employed in the great automobile estab-

GLIMPSE OF STATE STREET

On the left is the Chamber of Commerce Building, which has been purchased by the Detroit Savings Bank.

lishments is highly skilled. But it is a matter of common knowledge that nowhere in the world has the workingman received such treatment as has been given him in Detroit. Henry Ford's minimum wage of five dollars a day astounded everybody; and when he put a profit-sharing plan in operation as well the wiseacres said it would never do; but Mr. Ford finds that the efficiency of his employees has been increased by at least forty per cent. by this practical form of bringing home to them that they are direct sharers in the profits of their own work. And, in less conspicuous fashion perhaps, practically all the great employers of labor in Detroit are treating their laborers as men and not as mere cogs in a machine. That is one reason why the city is leading in the automobile industry.

DETROIT BOARD OF COMMERCE

UNDER the presidency of Mr. Charles B. Warren, a distinguished member of the Detroit Bar, the Detroit Board of Commerce has been instrumental in consolidating the various interests in a harmonious effort to work for the upbuilding and progress of the city. Here is a commercial organization that does things, and it does not stop with work calculated to bring in new industries, to secure better freight rates and an economical use of the city's revenues. All these and countless other factors that help in making a city great are its constant concern as matters of course. But the Detroit Board of Commerce does not rest content with achievements along these lines. To get a big new factory, employing thousands of men, to locate in the city is regarded as an important work; but it is consid-

DETROIT'S IMPOSING BUSINESS STRUCTURES

The Penobscot Building is on the left, the Peoples State Bank in the centre, showing recent addition, and the new building of the Detroit Trust Company on the right.

ered quite as important that these employees should be justly dealt with. It is a notable fact that the number of taxpayers in Detroit is 103,000 and that there are 150,000 laborers.

The Detroit Board of Commerce has paid careful heed to the human side of industry, and has shown greater interest in men than in machinery. It has helped to establish night schools, and in doubling the appropriation for this work and aided in increasing the enrollment in these schools by 153 per cent. It established an unemployment bureau open to all unemployed without charge, has favored shorter hours so that the number of those having work might be increased, and established a feeling of the substantial identity of interests between capital and labor by throwing open its meetings freely to all interests for an interchange of views. Perhaps it would be quite within the truth to say that in no city of the country is the industrial element of the population—using that term in its commonly-accepted sense—better situated in all respects than in Detroit.

The Detroit Board of Commerce has exemplified in a most striking way the immense value of a live, energetic commercial organization, working with the sole object of uniting every interest in behalf of material prosperity and civic betterment. The Detroit Board of Commerce has wisely and effectively sought to make the city bigger and better, and has done more than any other instrumentality to bring about that spirit of coöperation upon which the growth of cities so much depends.

A CITY OF HOMES

DETROIT is a city of homes, not of apartments. While there are many streets where the residences are large and imposing, the average house is of modest proportions, but of a decidedly homelike appearance. Broad, clean streets and boulevaids, wide grass plots, ample lawns and trees everywhere are striking features of the residence districts. The charm of lake and river and semi-rural surroundings in some of the suburban parts of the city

lend an appropriate setting for the many really magnificent mansions and estates.

If one tries to form an accurate conception of a city from the crowds encountered on the streets, surely Detroit will respond splendidly to this test; for and it is very doubtful if this development has more than fairly begun. A most conservative banker, accustomed to weigh his words carefully, frankly declared that the change that was being wrought in the city was beyond his power to analyze or to gauge. Other

DETROIT ATHLETIC CLUB

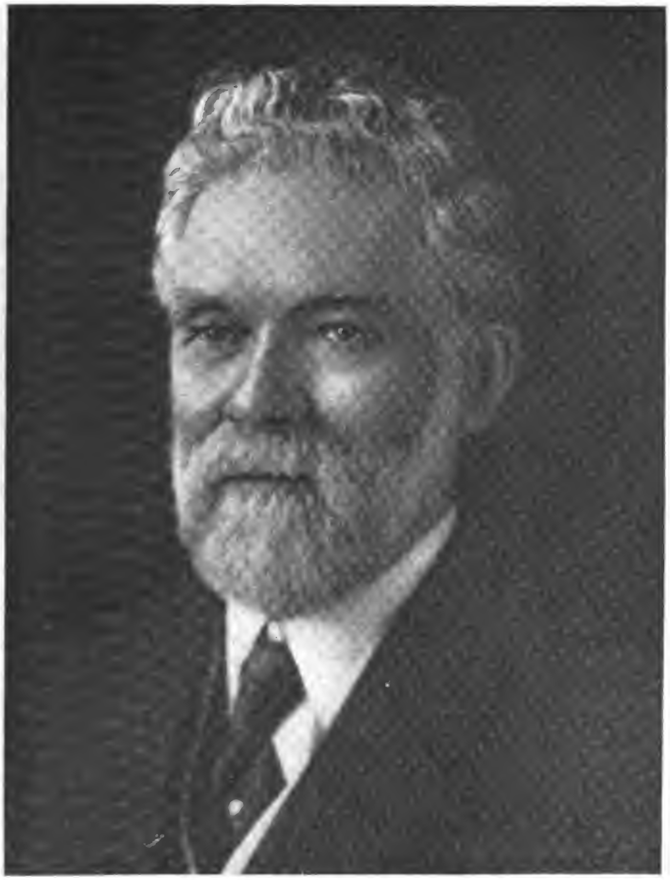
in size, sprightliness and dash the crowds on the chief thoroughfares will compare most favorably with any of the larger American cities.

It is no exaggeration to say that within the last few years Detroit has actually passed from an overgrown country town to a metropolitan centre, bankers said the same thing—they could not measure the growth actually taking place or make any estimate of its future extent. That the present era of remarkable development will go on until it carries the city far beyond even its present size and prosperity is the universal belief.

GRAND CIRCUS PARK, DETROIT'S HOTEL CENTRE

There has been and there is some speculation, of course. When things are moving ahead as rapidly as they are in Detroit, you can not escape speculation unless you can completely change human nature. But no evidence appears that rentals or real estate prices have risen much above what might have

MICHIGAN CENTRAL STATION AND YARDS



WILLIAM LIVINGSTONE

PRESIDENT DIME SAVINGS BANK, DETROIT; PRESIDENT LAKE CARRIERS' ASSOCIATION, AND FORMER PRESIDENT AMERICAN BANKERS ASSOCIATION

been looked for under the conditions of great prosperity which have continuously existed with but slight interruptions for a long time, for Detroit felt the shock of the 1907 panic but slightly.

In endeavoring to appraise the character of cities one finds some difficulty where, as is the case with Detroit, the location is midway between the East and what many Eastern people still consider the West. Is Detroit an Eastern or Middle Western city? The question is not easy to answer. Even the Detroiters themselves seem in a little doubt about the matter. For a long while they had set their clocks and watches according to central standard time; but recently they concluded to move their timepieces an hour ahead to conform to Eastern time—all except the railroads, which still stick to the central time. This would seem to indicate that the people of the city choose to regard themselves as Eastern—so far as relates to time at least.

The point is of minor importance, and perhaps—though it seems almost like flattery to say it—Detroit combines the solid qualities which have come to be ascribed to the East, with the energy and warm-heartedness of the West.

GEO. E. LAWSON

PRESIDENT PEOPLES STATE BANK, DETROIT, MICHIGAN; MEMBER EXECUTIVE COUNCIL AMERICAN BANKERS ASSOCIATION AND FORMER PRESIDENT MICHIGAN BANKERS ASSOCIATION

GROWTH IN AREA AND POPULATION

HOW the city has been growing in area and population may be seen from the accompanying statements.

The following was the area of Detroit in square miles at the periods named:

1900	28.14
1915	50.26

The population of Detroit by decades has been as follows:

1810	1,650	1870	79,577
1820	1,442	1880	116,340
1830	2,222	1890	205,876
1840	9,102	1900	285,704
1850	21,019	1910	465,766
1860	45,619	1915	741,682

The most recent estimates place the population at about 750,000.

BANKING IN DETROIT

HAS banking in Detroit any special features that distinguish the banks from those of other cities? When one

EMORY W. CLARK
PRESIDENT FIRST AND OLD DETROIT NATIONAL BANK, DETROIT

bank runs up its deposits in six years from nothing to twenty million dollars, and when another bank in a single year grows as much as a precedessor occupying the same quarters grew in a generation, it may be said that at present the distinctive feature of banking in Detroit is an almost unexampled rate of growth; and this is not due to inflation, or to unwarranted expansion of credit, but it is the natural result of industrial and commercial activity. Indeed, some of the most remarkable cases of banking growth have not been due to an increase in "deposits" created by loan credits, but are gains in savings deposits purely.

But there are other interesting features in banking here. To begin with, the state banks do two kinds of business—commercial and savings—and these departments are by law required to be kept separate. The savings deposits are segregated from the commercial deposits and are invested in the manner prescribed by law. This arrangement has worked well, and is generally approved by the Detroit bankers. It permits a bank with a single organization to do both a savings and commercial business and at the same time throws about savings deposits those restrictions generally considered as essential.

While the banks under state jurisdiction transact the kinds of business named, they do not attempt to invade

Frank W. Blair
PRESIDENT UNION TRUST COMPANY, DETROIT

the trust company field; and, on the other hand, the trust companies—of which there are only a small number in Michigan—confine themselves strictly to the performance of trust company functions and do not attempt to invade the banking field. As a matter of fact, so strong is the feeling that these various functions should not be intermingled that a suit has been begun at the instance of a Michigan trust company to enjoin the national banks of the state from being granted trust company powers under the Federal Reserve Act. This action is based upon the views of the trust companies that if they keep out of the banking field the banks ought not to enter the trust company field.

And there is another very marked and successful feature of banking in Detroit—the branch banking system. Numerous branches are maintained in various parts of the city by the People's State Bank, the Detroit Savings Bank, Dime Savings Bank, Peninsular State Bank, Wayne County and Home Savings Bank, and by a few others.

Perhaps the fact that the state banks may have branches while the national banks are not allowed this privilege accounts for the fact that the state banks are more numerous than the national institutions. The branch system permits the state bank, under a single organization, to extend its operations into any part of the city where banking facilities seem to be required. On the

RICHARD P. JOY
PRESIDENT NATIONAL BANK OF COMMERCE, DETROIT

other hand, the national banks handle a very large part of the banking business of the city and maintain important out-of-town connections.

The thing that counts in banking or in anything else is the human factor, and in this respect the Detroit bankers seem well up with those of any of the large banking centers. That they are men of ability is witnessed by the extraordinary growth of the banks and by the rapid and solid progress of the city itself. And their success has not spoiled them. From the chief executives all down the line one finds a spirit of courtesy and a general realization of the fact that personality and the human element in banking count for as much or more than in other kinds of business. And men like Emory W. Clark, J. H. Johnson, Wm. Livingstone, George E. Lawson, Richard P. Joy, Julius Haass and the late George H. Russel, have put Detroit on the banking map and helped to make it one of the most prosperous industrial and commercial centers in the United States.

In recent years the Detroit banks have put up some fine buildings—the Ford Building, the home of the First and Old Detroit National Bank; the Dime Savings Bank Building, the People's State Bank, the Peninsular State Bank, the Detroit Trust Company, and the Wayne County and Home Savings Bank being notable examples of modern bank homes. While the Union Trust Building,

HON. EDWARD H. DOYLE

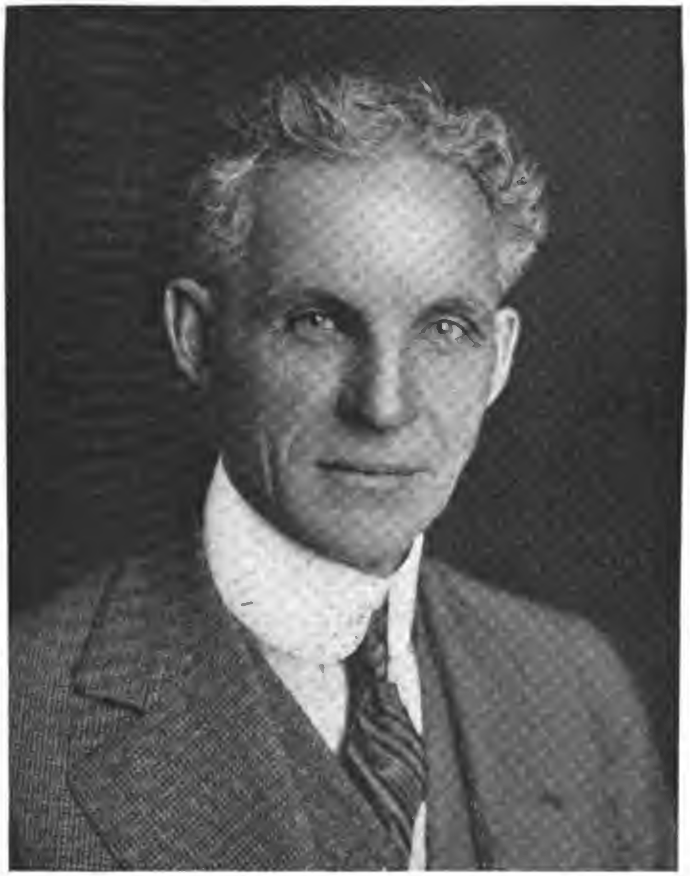
FORMER COMMISSIONER BANKING DEPARTMENT STATE OF MICHIGAN; EX-PRESIDENT NATIONAL ASSOCIATION OF SUPERVISORS OF STATE BANKS

Mr. Doyle made a most successful record as Commissioner of the Banking Department of Michigan. He is half owner of the Majestic Building, one of Detroit's principal office structures

which houses both the Union Trust Company and the National Bank of Commerce, is not one of the most recent buildings it is nevertheless one of the finest and most imposing. The Detroit Savings Bank—the oldest bank in Michigan—has bought the large Chamber of Commerce Building, and will later occupy its lower floors. Out at Highland Park, where the Highland Park State Bank, close to the Ford factory, has shown an astonishing growth, a new building of fine proportions is just being erected. Many of the branches of the downtown banks are structures of an exceedingly creditable type.

BANKING CHANGES

TWENTY years ago Detroit had six national banks, fifteen state banks and one trust company. Of the presidents of these twenty-two institutions only one is at present active in banking—Alexander McPherson, who was then president of the Detroit National Bank, and is now chairman of



HENRY FORD
PRESIDENT FORD MOTOR CO., DETROIT, AND A NOTED HUMANITARIAN

the board of the First and Old Detroit National Bank, and only three others survive—E. H. Butler, who was president of the Mechanics Bank; F. D. Eatherly, president of the Union National Bank, and George Anderson, president of the McClellan & Anderson Savings Bank. Of the institutions themselves only five retain their identity and are not affected by consolidations—the Central Savings Bank, the Detroit Savings Bank, the German-American Bank, the Union Trust Company and the Peninsular State Bank, the latter being changed in name only. The Dime Savings Bank is unchanged in name but has absorbed three other banks—the Citizens Savings Bank, the Detroit River Savings Bank and the Union National Bank. The Mechanics Bank went into voluntary liquidation in 1901 and the City Savings Bank was closed in 1902. All of the other banks in existence twenty years ago have either been absorbed by or consolidated with other institutions. The First National Bank, the Detroit National Bank, the American Exchange National Bank, the Commercial National Bank and the Preston National Bank are all merged into the First and Old Detroit National Bank. The People's State Bank is a consolidation of the State Savings Bank, the People's Savings Bank and the McClellan & Anderson Savings Bank, the Wayne County and Home Savings Bank

FIRST AND OLD DETROIT NATIONAL BANK, DETROIT

of the Wayne County Savings Bank, Home Savings Bank and Michigan Savings Bank, and as indicated above the Dime Savings Bank has absorbed three other banks. Fifteen banks in existence in 1895 are now represented in these four great institutions whose combined assets are many millions greater than were the total assets of all the national banks, state banks and trust companies doing business in the State of Michigan twenty years ago.

The history of Detroit banking has been very largely made during these two decades. The total resources of Detroit's banks in January, 1895, were sixty-three million dollars, while now they are four times that amount, or a quarter of a billion dollars.

In 1895 the largest bank in the United States had assets of thirty-two million dollars. To-day Detroit has three banks with greater resources, two being in excess of fifty million dollars. It has one national bank which ranks nineteenth among the seventy-seven hundred national banks of the country and one state bank which ranks twentieth among the seventeen thousand odd state banks.

DIME SAVINGS BANK, DETROIT

While Detroit's banking resources have quadrupled in twenty years, the number of banks has actually decreased, there being only ten state banks against fifteen in 1895 and three national banks against six then. The average capital and surplus of the banks in 1895 was under half a million dollars; to-day it is more than two and a quarter million. The average resources then were under

BANK CAPITAL AND SURPLUS, DEPOSITS AND CLEARINGS.

Year.	Capital and Surplus	Deposits.	Clearings.
1900	$8,815,100	$75,424,745	$427,800,392
1905	14,833,500	100,476,858	597,642,312
1910	19,130,000	141,171,634	910,835,007
1911	21,865,882	174,437,561	968,647,059
1912	22,821,000	197,093,447	1,127,975,161
1913	24,665,000	202,629,906	1,331,053,375
1914	30,030,000	236,940,854	1,349,546,302
1915	30,821,000	256,673,321	1,500,000,000

PEOPLES STATE BANK, DETROIT

three million; to-day they exceed fifteen million. This concentration of banking interests in Detroit has undoubtedly strengthened the general banking situation of the city.

The growth of some of the banks has been phenomenal. For example, the Highland Park State Bank's deposits have made this record:

October, 1910	$234,849.70
October, 1911	630,379.67
October, 1912	897,139.66
October, 1913	2,739,700.36
October, 1914	8,324,762.74
October, 1915	15,884,594.80
November 10, 1915	20,230,444.92

DETROIT BANKS

THEIR CONDITION AS SHOWN BY RECENT STATEMENTS

	Capital.	Surplus. and profits.	Deposits.	Total resources.
American State Bank	$250,000	$66,000	$3,795,524	$4,111,718
American State Bank, Highland Park.	25,000	4,459	429,254	458,713
Central Savings Bank	500,000	152,000	7,635,280	8,293,948
Detroit Savings Bank	750,000	1,209,305	13,698,354	15,657,660
Detroit Trust Co.	1,000,000	2,015,495	6,777,114	9,902,555
Dime Savings Bank	1,000,000	974,331	22,282,417	24,304,209
Federal State Bank	250,000	74,193	1,005,873	1,337,072
First and Old Detroit National Bank	5,000,000	2,818,198	46,889,284	56,777,633
German-American Bank	500,000	143,088	5,202,092	5,845,477
Highland Park State Bank	500,000	400,706	20,230,391	21,172,640
Merchants National Bank	1,000,000	325,793	6,709,265	8,065,063
National Bank of Commerce	1,000,000	788,594	17,990,368	20,211,722
Peninsular State Bank	1,000,000	602,915	17,875,219	19,478,434
People's State Bank	2,500,000	3,535,284	50,872,044	56,907,581
Security Trust Co.	500,000	858,961	3,454,246	4,857,352
Union Trust Co.	1,000,000	350,871	3,934,936	5,726,209
United Savings Bank	500,000	151,821	5,324,306	5,981,127
Wayne County and Home Savings Bank	2,500,000	3,380,021	35,958,762	41,838,783

On November 2 the state banks had aggregate deposits of $163,647,745.45, and the national banks on November 10 had $71,394,117.94.

And look at this story of progress of the Dime Savings Bank:

	Deposits.
May 1, 1900	$2,438,599.25
May 1, 1904	3,526,359.10
May 1, 1908	5,390,083.90
May 1, 1912	10,942,641.78
Sept. 2, 1915	22,106,970.29

The Merchants National Bank, which opened for business on the 24th of August, 1914, has also shown a growth which indicates the city's prosperity. Its deposits have steadily risen from $1,327,000 in the opening month to $6,591,000 on November 2 last.

Other banks have grown, if a little less rapidly, still at a rate that has piled up large additions to totals in a comparatively short time.

VARIOUS EVIDENCES OF PROGRESS

FOLLOWING are some of the striking evidences of Detroit's growth in recent years:

BUILDING CONSTRUCTION

Year.	Number of Permits	Cost of Construction
1900	1,964	$4,142,400
1910	5,498	17,225,045
1913	9,326	30,434,380
1915*	7,580	25,586,410

*First ten months.

In two recent years Detroit has stood fourth in the cost of its building construction, being surpassed only by New York, Chicago and Philadelphia.

DETROIT TRUST COMPANY'S NEW BUILDING

REAL ESTATE TRANSFERS

Year.	Number of Deeds.
1900	9,348
1910	19,270
1914	30,329

EXPORTS, DISTRICT OF MICHIGAN

In 1913 the four Michigan customs districts were consolidated into one

UNION TRUST COMPANY, DETROIT

called the District of Michigan, with the chief port of entry at Detroit. The exports for the two fiscal years ending June 30 have been as follows:

1913	$102,573,052
1914	117,746,586

About seventy-two per cent. of Detroit's exports go to Canada, and twenty-four or twenty-five per cent. more go to England or to other colonies and dependencies. There is a large volume of Detroit's manufactured products that go abroad through Atlantic or Pacific seaboard ports, and, therefore, do not appear in the local customs house records. They are not included in the above totals.

IMPORTS, DETROIT AND MICHIGAN

The imports at the port of Detroit for the calendar years named have been as follows:

1900	$2,674,632
1905	5,338,106
1910	7,975,058
1911	7,569,749
1912	8,082,517
1913	11,566,965
1914	12,584,134

The imports for the District of Michigan, including Detroit and ten other ports of entry, have been as follows for the past two fiscal years ending June 30:

1914	$26,346,651
1915	24,956,042

THE MAJESTIC BUILDING

One of Detroit's prominent office buildings, and home of the Central Savings Bank.

THE CARRYING TRADE

THE number of vessels passing the Suez Canal in 1911 was 4,969, with gross tonnage of 25,417,853. In 1912 the gross tonnage was 28,008,-945. The number of vessels, with the net tonnage which is ordinarily taken for comparison, was as follows for the years named:

	Number	Net registered Tonnage
1912	5,373	20,275,120
1913	5,085	20,033,884
1914	4,802	19,409,495

The corresponding figures for the Sault canals for the same years were as follows:

1912	22,778	56,736,807
1913	23,795	57,989,715
1914	18,717	41,986,339

The actual freight tonnage in 1913 was 79,718,344 and in 1914, 55,369,934.

The record for vessels passing Detroit River for the season of navigation the same years was as follows:

Year.	No. of Vessels.	Net Registered Tonnage.	Actual Freight Tonnage.
1912	...33,675	61,606,271	78,671,208
1913	...37,473	62,092,149	85,376,705
1914	...31,913	52,927,106	69,810,853

The estimated value of freight in

WAYNE COUNTY AND HOME SAVINGS BANK

HIGHLAND PARK STATE BANK, HIGHLAND PARK, DETROIT. ONE OF THE FASTEST GROWING BANKS IN THE UNITED STATES

1913 was $927,191,016, and the next year $800,032,275.

The following passenger and package freight boats touch at Detroit: Chicago, Duluth and Georgian Bay Transit Co. weekly.

Detroit and Cleveland Navigation Co.—To Buffalo and Cleveland daily; to Lake Huron points four times a week.

Northern Steamship Co.—To Buffalo, Cleveland, Chicago and Milwaukee weekly.

Northern Navigation Co.—Detroit, Sarnia, Port Arthur, Port William and Duluth, twice weekly.

Star-Cole Line—Cleveland, Toledo, Detroit and Upper Lake ports, weekly.

White Star Line—Toledo, St. Clair River ports, two and three times daily.

The following are railroad lines: Erie & Western Transit Co., freight and passengers; Mutual Transit Co., freight only, and Western Transit Co., freight only.

INTERNAL REVENUE RECEIPTS

1900	$3,874,437
1910	6,725,575
1914	8,766,730

The increase in the last two years is due to the new corporation and personal income taxes.

POSTOFFICE RECEIPTS

1900	$793,978.05
1910	2,133,647.47
1914	3,228,539.05

Detroit is the sixth city in the country in the amount of its post office receipts and the third in the number of parcels post packages, being surpassed in the latter only by Chicago and New York. The Detroit post office led in the movement for the Sunday closing of post offices. It was the first city in the country to establish marine service, using a fast steam and motor or row boat to exchange mail with every vessel that passes up or down the river.

MANUFACTURING CAPITAL AND PRODUCT

ALTHOUGH adapted by location for a great manufacturing city, Detroit's earliest business activities

A DETROIT RESIDENCE

ANDERSON ELECTRIC CAR CO., MANUFACTURERS OF DETROIT ELECTRICS

Factory covers fourteen acres of space and employs 1,500 persons. For the season of 1916 there will be manufactured by this company 3,000 electrics—double the number ever made in any previous season.

were mercantile and marine. Manufacturing came later. In 1850 the whole of Wayne County had of manufacturing capital only a little over $1,000,000, with 1,975 wage earners, and a product valued at $1,950,585. Ten years later the capital had increased to $4,138,000, and the product to $6,497,000. In 1870 the capital was $14,732,000 and the product $26,218,000. In 1880 Detroit first figured separately from the rest of the country in the census reports, with 16,110 industrial employees and a production valued at $30,181,000. In 1890 the number of employees was 34,535, and the product $77,350,000.

The following are some of the items of its industrial activities for the latest census periods:

000 as the value of the manufactured product. In 1914 the totals were undoubtedly less than 1913, but the completed figures for 1915 will be the largest aggregate in the history of the city.

Detroit's great gain in manufacturing importance in the last fifteen years has been not only absolute but relative. In 1900 it was sixteenth in rank among the manufacturing cities in the country, and in 1909 it was seventh. It is now fifth, being surpassed by manufactures within the city limits only by New York, Chicago, Philadelphia and St. Louis.

Automobiles, stoves, cigars, paints, lumber, electrical furnaces, and pharmaceutical preparations are among the city's leading productive industries.

	1899	1904	1909
Number of establishments	1,263	1,363	2,036
Capital employed	$67,944,972	$91,228,214	$190,125,000
Number of wage earners	38,481	55,718	95,841
Wages paid	15,392,527	22,786,576	43,007,000
Cost of material	47,175,012	66,794,909	130,218,000
Value of product	88,649,635	128,761,658	252,992,000

There are no United States census figures available since 1909, but the annual report of the State Labor Commissioners for 1915 shows that there were 156,607 industrial employees in the city during that calendar year, and a Board of Commerce estimate gave $410,000,-

A HIGH AVERAGE OF WORKERS

INQUIRIES made in connection with work for the unemployed in the winter of 1915 led to the belief that there is a larger proportion of the population of Detroit employed in factories

BURROUGHS ADDING MACHINE FACTORY, DETROIT

The Burroughs Adding Machine was the invention of William Seward Burroughs, who was at one time a bank clerk. These machines are now in use in 30,000 banks in the United States and Canada. The factory occupies two city blocks with seven and one-half acres of floor space. Two thousand men and women are employed.

than any other large city in the country. An examination of the census reports confirms this impression. The following gives the total number of wage earners in the first ten cities with the number per one hundred of the total population:

	Number of wage Earners	Number per 100 of Population
New York	554,002	11.6
Chicago	293,977	13.4
Philadelphia ...	251,884	16.3
St. Louis	87,371	12.7
Cleveland	84,728	15.1
Detroit	81,011	17.4
Boston	69,637	10.4
Pittsburgh	67,474	12.6
Milwaukee	59,502	16.0
Buffalo	51,412	12.1

DETROIT'S GREATEST INDUSTRY

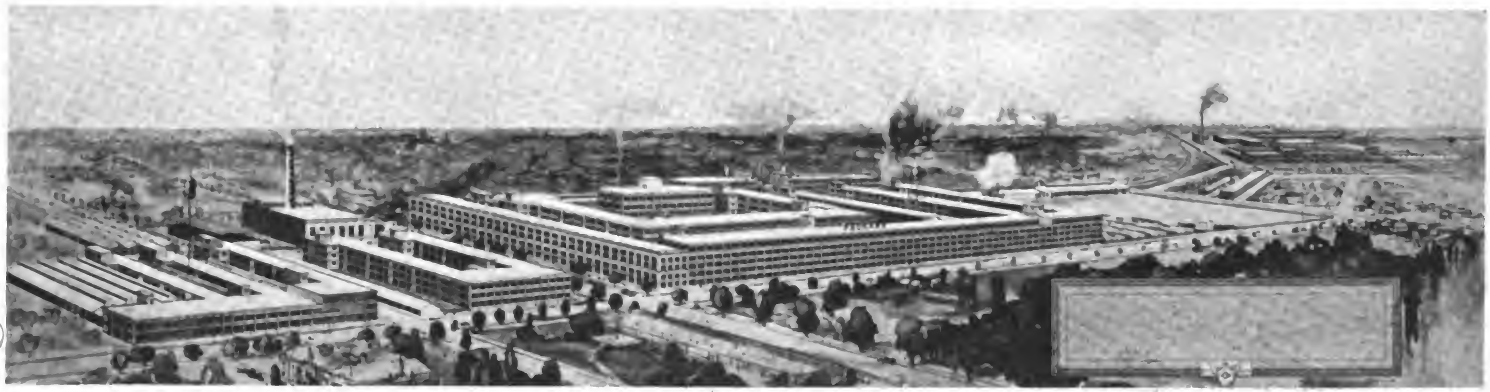
THE manufacture of automobiles for the market commenced in Detroit in 1899, but it did not appear in the United States census reports as a separate industry until 1904. Some of the figures relating to its volume in that year and in 1909 were as follows:

	1904	1909
Number of establishments	19	68
Capital employed..	$3,447,000	$28,928,000
Number of wage earners	2,191	17,437
Wages paid	959,000	9,621,000
Cost of materials..	2,631,000	31,363,000
Value of products.	6,240,000	59,536,000

The next three years witnessed a growth even more rapid than that indicated by these figures. The report of the State Labor Commissioner for 1913 showed 29 companies assembling cars and 105 companies whose sole business was the making of parts and accessories. Together they had 67,432 employees in factory and office and put out 283,000 cars valued at $208,000. In 1914 there was a period of dullness and the aggregates were less. In the season for 1915 models there were over 400,000 cars put out with a value exceed-

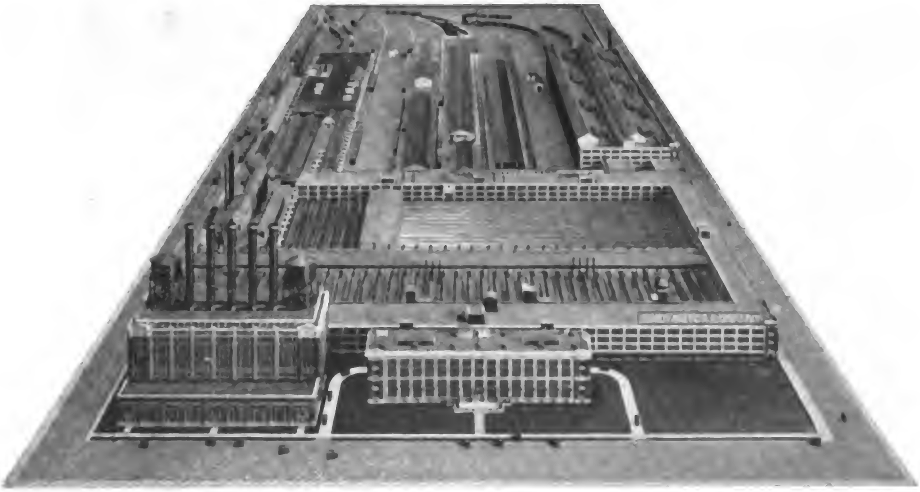
CHALMERS MOTOR CO., DETROIT

The Chalmers factory comprises 22 buildings covering approximately thirty acres of ground. Over 4,000 skilled men are employed in planning, designing, building and testing Chalmers cars. It is stated in one of the company's advertisements that $22,000,000 worth of these cars were sold in forty minutes.



PACKARD MOTOR CAR CO., DETROIT

At Warren, Ohio, in 1899, one of the first efficient automobiles built in America was finished by James Ward Packard. Henry B. Joy, now president of the Packard Company, bought one of the earliest types of Packard cars, and soon became identified with Packard development. The Packard factory occupies 48 buildings with a floor space of 48 acres, employs more than 10,000 persons whose monthly wages exceed $800,000. The company's capital is $12,000,000 and assets over $20,000,000.



THE FORD FACTORY AS IT MIGHT LOOK FROM AN AEROPLANE. THE 21,000 EMPLOYEES ARE MAKING CARS AT THE RATE OF 1,000 A DAY

ing $260,000,000. At the opening of the season for making the 1916 models the number of persons employed in the industry is at least 80,000 and the output of cars promises to be far in excess of any previous year.

Probably no other industry in any city in the country has ever had so rapid a growth as this.

The impression is somewhat common around the country that Detroit hasn't much in the industrial line except that connected with the automobile business. While this was never even approximately correct it is still true that a large part of the growth of the city in the past four or five years has been due to this factor. The Board of Commerce has made an interesting comparison of figures bearing on this subject. The totals of persons employed are compiled from the reports of the State Labor Department. They cover not only establishments working under the factory system, but also hand trades and various minor industries which are not included in the United States census reports. Under automobiles are included persons working in the offices and shops of the manufacturing establishments, and also those reported as being engaged chiefly in repair work.

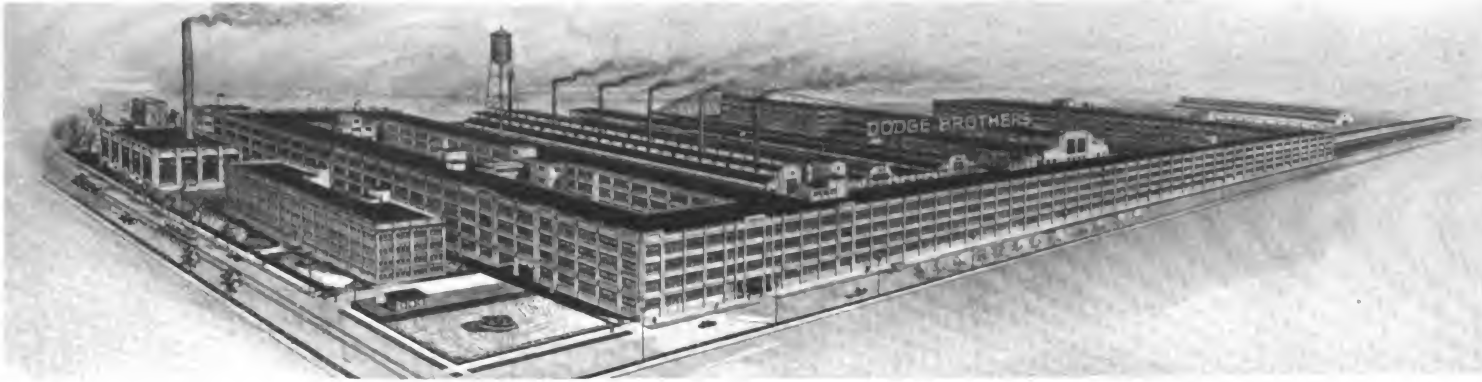
	Total Employees.	Automobiles.	All Others.
1904	 60,554	2,232	58,322
1908	 75,659	7,250	68,409
1909	103,287	17,373	85,914
1910	113,034	29,243	83,791
1911	135,115	45,585	89,530
1912	149,352	57,293	92,059
1913	156,687	67,432	89,255
1914	141,188	60,835	80,353

Except in 1904, 1909 and 1913 no very complete returns were made of the values of manufactured products. In the years named the figures were as follows:

	Total	Automobile
1904	........$128,247,000	$6,240,000
1909	 252,992,000	59,536,000
1913	 410,000,000	208,000,000

The statements of product for 1904 and 1909 are taken from the United States census reports. The value of the automobiles is that given by Mr. C. C. Carlin in an address before the Board of Commerce. It was the result of expert inquiry made by the Curtis Publishing Company.

In 1904 when the auto industry first appeared in the census reports it contributed a little more than one-thirtieth to the city's industrial population and a little over one-twentieth to its man-



DODGE BROTHERS, ONE OF THE GREAT AUTOMOBILE MANUFACTURING ESTABLISHMENTS OF DETROIT

Factories constructed throughout of steel and concrete, and occupy 60.8 acres of floor space. Has 8,400 employees. Requires an average of 100 freight cars daily to handle material and supplies received. The factory receives 225,000 pounds of steel a day to be fabricated into parts for Dodge Brothers' motor cars.

HUPP MOTOR COMPANY'S PLANT, DETROIT

This company has just completed new buildings which add about 25,000 square feet to the Detroit plant and has purchased the American Gear & Manufacturing Co., thus affording an additional 65,000 square feet of machine shops. Preparations are being made for further additions to the Detroit plant which will add between 150,000 and 200,000 sq. ft. of space. All of these additions are designed to provide for a production of at least 20,000 cars in the next twelve months.

CADILLAC MOTOR CAR COMPANY, DETROIT

The illustration at the top shows the main plant, the next the foundries and sheet metal division and the lower illustration the body factory.

These three large plants aggregate more than a million and a half square feet of floor space. Employment is given to between 8,000 and 9,000 people.

ufactured products. Five years later, 1909, it had about one-sixth of the employees and more than one-fourth of the product. Four years later yet it contributed more than two-fifths of the employees and about one-half of the product.

How Detroit has gradually achieved first place in the automobile industry is a very simple story of brains, capital and intelligent enterprise.

Away back in the eighties, Henry Ford of Detroit took up what many considered the crazy idea that he could devise a road vehicle propelled by power generated within itself. He experimented for years and finally evolved what is believed to have been the first successful vehicle of the class that has since developed into the modern automobile. He has been investigating, experimenting and testing ever since, and is now at the head of the largest automobile factory in the world. Not only was he a pioneer in invention, but is entitled to the credit of having perfected, in more recent times, the most serviceable of low-priced vehicles.

While Mr. Ford was experimenting, R. E. Olds of Lansing was turning his inventive faculties in the same direction. He built the first automobile factory in Detroit in 1899 and there demonstrated the fact that the new kind of car could not only be workable, but marketable.

So far it was a matter of brains. It

BIRDSEYE VIEW HUDSON MOTOR COMPANY, DETROIT

The area of the original buildings occupied by this company in 1910 was 177,282 square feet. How the required factory space has grown is shown by the fact that additions have been made in each of the subsequent years until the space occupied in 1915 was 813,882 square feet.

In the manufacture of vehicles no name is better known in America than that of Studebaker. The reputation that long attached to the firm as a maker of wagons and buggies has been sustained in the manufacture of automobiles.

STANDARD MOTOR TRUCK CO., DETROIT

The output of the above factory this year will be over 3,000 trucks, compared with 300 last year.

speedily became a matter of capital and intelligent forecast. In 1903 Detroit business men organized the Cadillac Motor Car Co., which, in spite of one serious setback from fire and a period of financial depression, has become a huge and immensely profitable enterprise. The same year, four Detroit men of ample means and business experience picked up a plant at Warren, Ohio, brought the material and good will to Detroit and organized the Packard Motor Car Co. It started with a capital of $500,000 and 600 employees. It now has $12,000,000 capital and has 10,000 men on its payroll who earn $800,000 every month, and its plant includes forty-eight buildings, with forty-eight acres of floor space.

In the United States census tables for 1899, automobiles do not appear as a separate class in manufactures. In 1904 Detroit was credited with nineteen establishments manufacturing automobiles, their bodies or parts, with 2,191 employees, capital of $3,447,000 and a product valued at $6,240,000. In 1909 the census tables reported sixty-eight establishments, with 17,437 wage earners, $28,928,000 capital and a product valued at $59,536,000. In 1911 the report of the State Labor Commissioner had a record of ninety-four companies making automobiles or their parts and employing 45,635 wage earners and office men. In 1913 there were twenty-eight companies making automobiles and about eighty whose sole business was the manufacture of auto parts and accessories. They have about $60,000,000 capital and over 60,000 employees and an output so large that if anyone should attempt to give the correct figures he would be charged with indulging in an exuberant imagination.

This growth has not come by luck or accident. At the outset, Detroit had peculiar advantages for this industry. It was already a large manufacturer of marine gasoline engines and had more expert engine workers than any other city in the west. They could easily adapt a marine engine to land locomotion. Michigan surpassed every other state in the manufacture of carriages, buggies and wheels. Its artisans would change their work so as to make any style of body or tonneau required for the automobile. For the first three or four years Detroit and three other Michigan cities supplied nearly all the bodies used locally without the erection of a single additional plant for that purpose. It was a fact established by careful inquiry that Michigan could then make auto bodies for sixty per cent. of the cost in eastern cities. Again, Detroit was a center of the malleable iron man-

FEDERAL MOTOR TRUCK COMPANY, DETROIT

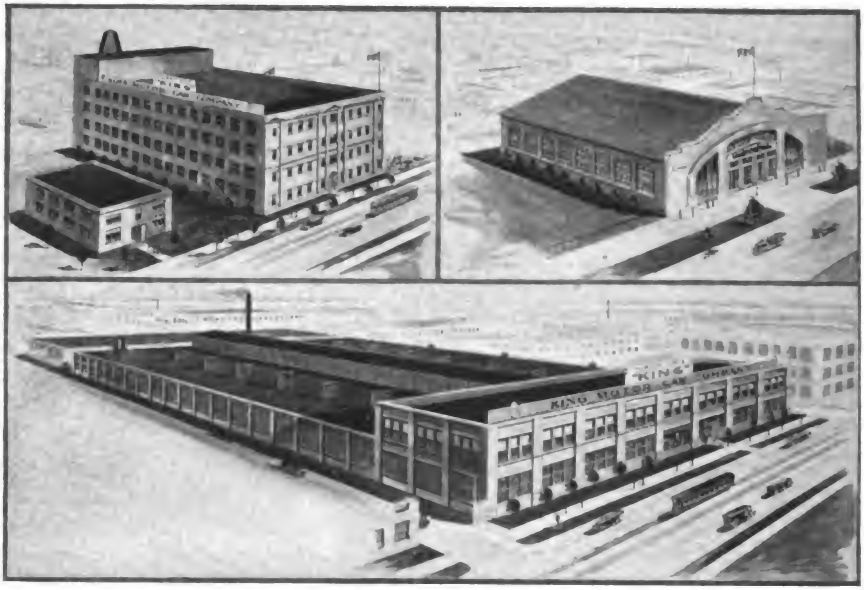
Is now constructing another plant of similar size, doubling its manufacturing capacity. Business during 1915 has shown an increase of 125 per cent. over 1914, which was also a record year. It is expected that the 1916 output will be twice that of 1915.

ufacture in this country and this material entered largely into the manufacture of the earlier types of the auto. It was a good supply point for pressed steel. It soon became a leading point for aluminum castings. Old plants in Detroit, Lansing and Kalamazoo were equipped for supplying springs even before new plants were added. It was therefore possible for the first manufacturers to obtain many of the essential parts of an auto car at home, leaving them free to install new plants for the different parts at their convenience. Detroit was already a good brass town and could rapidly supply the brass parts needed. It should also be added that Detroit is the home of fine color work for painting, and a fine and durable gloss finish is an essential to all first-class autos. Excellent labor conditions prevailed and the city had among its workers a large proportion of skilled mechanics.

All these were advantages for manufacture. But the sales end was not left to take care of itself. No other business has ever been so well advertised. Into the sales department of none other has there ever been put so much expense, ingenuity or energy. For a number of years every public exhibition and every speed and endurance test had entries of Detroit cars, and many cars have been sent on private tours under the most difficult conditions.

The market for Detroit autos has consequently been world wide. Not only is every state and city in this country a purchaser, but every foreign country that has passable roads. Sales have been made in Siberia, India, Burmah, Tasmania, New Zealand, Australia, China, Japan, the Hawaiian Islands, the Philippines, Mexico, and all the states of Central and South America have been served. Sales have been made in every European country, even in France, the original home of the high-grade auto, and in England where every effort has been made to exclude the foreign and push the home-made product.

VOLUMES could be written about the automobile business in Detroit and even one of the establishments—the Ford Factory—would of itself form an interesting subject for a book, for it has become something more than a mere factory—an institution whose



BIRDSEYE VIEW OF KING MOTOR CO. FACTORY, DETROIT

From 1894, when Charles B. King appeared on the streets of Detroit in a "high-wheel gasoline buggy," until the present the King Motor Co. has grown to the proportions indicated by the size of the plant above shown, with business extending to all parts of the world. The King Motor Co. did pioneer work in making an eight-cylinder car and was one of the first companies to successfully work out a profit-sharing plan with employees.

sociological features alone make it one of the most interesting industrial experiments in America. It is not the purpose of this article to deal with this very interesting experiment further than to say that if one may judge by improved dwellings and swelling savings accounts, as well as by increased efficiency, the profit-sharing and minimum wage plans are producing most gratifying results. The plan of Ford welfare work is so vast that it can only be referred to here in the most casual way. It includes improved housing and sanitation, domestic economy, thrift, better standards of living, and instruction in the English language to foreign employees.

A word must be said about the marvelous financial achievements of the Ford establishment. It began June 16, 1903, with $28,000 paid-in capital; never borrowed, discounted, sold bonds or placed mortage. In other words, the company financed itself. There are now over 20,000 employees, besides 850 in the administrative department. The pay-roll of the employees is about $2,000,000 a month, and of the administrative department, exclusive of executives, $60,000 a month. On the first of last July the capital stock was $2,000,000, the surplus $59,135,770.66 and the total of the balance-sheet $88,535,840.41, one-half of which was in cash. The annual output of cars August, 1915, to August, 1916, is placed at 500,000.

On the fifth day of July last 6,000 foreign-born employees of the Ford Factory sang "America" in front of the Detroit City Hall, illustrating the fact that the foreign industrial element is being taught to venerate American ideals.

The wealth won by Mr. Ford has made him an international figure, and his sudden rise to fame and fortune undoubtedly constitutes one of the most interesting chapters in American industrial romances.

In a somewhat less striking way, but still achieving a degree of success that can only be characterized as wonderful,

nearly all the automobile manufacturers of Detroit are making records as broad-minded business men representative of all that is best in modern industry. And the manufacturers, the bankers and citizens generally are co-operating in building up a city of prosperous people, inspired by American ideals, and justifying the statement that in Detroit life is worth living.

A SAXON ROADSTER IN WAITING

The fine boulevards around Detroit and the beautiful suburbs make motoring exceptionally attractive, and Detroit is not only well ahead in the cars made but in the cars used in proportion to population.

A Live Bank President Who Made Himself Solid With the Farmer

HOW an enterprising banker can "make himself solid" with the farmers is interestingly told in a letter written by Irving S. Norwood, secretary of the Davenport Commercial Club, to W. E. Holmes, secretary of a similar organization in Sioux City, Iowa. The letter was written in response to a questionaire concerning "Agricultural and Commercial Organizations." The letter is reprinted from the proceedings of the First Annual Meeting of the National Association of Commercial Secretaries held in St. Louis in September, 1915. The bank president mentioned is A. F. Dawson, president of the First National Bank of Davenport, Iowa, the first national bank in operation in the United States.

The letter reads as follows:

Saturday, June 26, 1915.

W. E. HOLMES,
Secretary Commercial Club,
Sioux City, Iowa:

DEAR BILL—Your questionaire received. Why is it, when an ordinarily sensible indi-

vidual prepares one of those infernal things, he invariably leaves a lot of space where none is required and leaves none at all where a page is needed?

I have discarded the questionaire, and you'll find all the facts in the following, as briefly stated as possible:

In the summer of 1912 the secretary of this organization and the president of the

A. F. DAWSON
PRESIDENT FIRST NATIONAL BANK, DAVENPORT, IOWA

First National Bank, who is a live one and wanted to make himself solid with the soil-tillers, toured Scott County in a 1909 Cadillac visible, distributing literature, calling meetings, ticketing the bell-cows of every township, and doing other needful things in connection with the formation of a county agricultural organization. The Commercial Club provided an office, furniture, stenographic help, and other necessaries, the government contributed $1,200 a year, the business men of Davenport dug up an even larger sum, and the farmers of Scott County yielded $124.19. With a favoring wind their moans could be heard for miles.

Cheered by the results, we induced a kindly millionaire with a penchant for agriculture to guarantee the payment of any deficit that might be incurred, and launched the Scott County Farm Improvement League upon a chilly world. Then we bought a second-hand fordcar and a tank of gasoline, hired a solemn young man from Ames, and we were ready for business.

Our success was not exactly immediate. Although the young man from Ames can tell from looking at a rolled oat whether it was planted with a drill or a shotgun, and is equally proficient in other directions, he was at first the object of considerable suspicion. Some farmers met him on the wrong side of the front gate, with their hands on their Ingersolls, and some of them shooed their stock in the barn when the second-hand fordcar hove in sight. His advice was as welcome as a case of smallpox and was followed as literally as the ten commandments. And when he insisted there were better methods of testing seed corn than by looking as it wisely through a pair of ten-cent specs; that cholera serum was not invented by blackhearted confidence men to separate the farmer from his loose change; that alfalfa will grow in Scott County, and that sprayed trees yield more and better fruit—he was looked upon as a hopeless and dangerous lunatic.

Two years elapsed!

Tested corn came up, and untested corn did not; serum-treated hogs lived, and untreated hogs died; sprayed orchards bore fruit, and unsprayed orchards did not; alfalfa grew and thrived, and returned big yields. The farmers began to smile upon the young man from Ames. Some gave him buttermilk. A few invited him to supper. The live bank president began to believe some of his own agricultural predictions. The secretary of this organization began to hope. And the farmers began to give up money.

Another year slipped by!

The second-hand fordcar and the young man from Ames are welcome guests on every farm. The live bank president is known as the farmers' friend, and his rural deposits make him blush. The secretary of this organization calls the farmers by their first names, and hopes one of them may some day join the Commercial Club. The government still produces $1,200 a year, the business men still dig up even more, but the farmers—God bless 'em!—are parting with about a thousand. The sun shines, the birds sing, the corn grows as thick as clover, the hogs die of old age, the alfalfa is cut twice a week, the orchards groan with the weight of sanitary, sprayed fruit, and the Scott County Farm Improvement League is considered to be the best ding-busted organization in the whole blamed state.

Sincerely yours,

[Signed] IRVING C. NORWOOD,
Secretary.

Banking and Commercial Law

LEADING CASES OF THE MONTH

Two Name Account

NEW JERSEY

Gifts—Delivery—Wills—Undue Influence.

Court of Chancery, New Jersey, July 3, 1915.

HUNT VS. NAYLOR, ET AL.

Where an alleged gift of a fund by an uncle to his niece was not made until after its deposit by the niece, the issuance of a passbook in the joint names of the uncle and niece, the handing it by the bank to, and retention by, the niece, was not a sufficient delivery, unless the uncle knew of its existence.

The act of a niece in depositing the funds of her uncle as a joint deposit, on the understanding that the enjoyment of the fund was to be the uncle's if at all, only on the death of the niece, would be a disposition testamentary in character in violation of the statute of wills, and hence invalid. (95 At-Rep.)

STATEMENT OF FACT AND OPINION OF COURT

BACKES, V. C. The question submitted for determination is: Did Joseph Hunt make a valid gift inter vivos to Elizabeth Naylor, nee Hunt, of a fund of money now on deposit in their joint names in the Amwell National Bank of Lambertville? The contest is between Joseph's executor and Elizabeth's administrator. At the time the deposit was made Joseph was 88 years old, physically weak and mentally infirm, and entirely dependent upon Elizabeth. He and his aged sister and Elizabeth, his niece, lived together, and for upwards of ten years the latter conducted the household and attended to the affairs of the old couple. They had reared Elizabeth, as well as the complainant, a nephew, who for many years contributed substantially toward their support. A check dated April 14, 1910, for $1,147.44 was received by Joseph as his share of the proceeds of a sale in partition of a farm of which he was half owner. The check was indorsed by his mark, and witnessed by Elizabeth, who on April 22d took it to the bank and deposited it in the savings department in the name of "Joseph Hunt or Elizabeth G. Hunt." The passbook was delivered to her, together with an identification card, which she signed and took with her to obtain, and which she later did, the signature of Joseph. The passbook contains the usual rule that it must be presented in all cases on depositing or withdrawing money, and stamped on the inside is the provision:

"This account is subject to the order of either the undersigned depositors; the balance at death of either to belong to the survivor."

This stipulation is practically repeated in writing on the identification card, and if perchance it plays any part in this case, it works in favor of the complainant, because Joseph survived Elizabeth. It does not appear that Joseph ever knew that there was a passbook. Elizabeth kept and took it away with her after her marriage in 1912, when she left Joseph's home and went to Illinois, where she died. At the time she went away Joseph had been declared by a commission of this court a lunatic with lucid intervals, for upwards of a year then past. So far the situation does not disclose a gift. The fund belonged to Joseph. He was physically unable to take it to the bank. The continued possession of the passbook by

Elizabeth, under the circumstances, and all of the other events, are entirely consistent with the theory that the joint deposit was made for convenience sake. Skillman v. Wiegand, 54 N. J. Eq. 198; Taylor v. Coriell, 66 N. J. Eq. 262.

The mental attitude of Elizabeth, as related by the witnesses, indicates very strongly that at the time the joint deposit was made it was not meant to work a change of ownership, and that she so understood it. I surmise that when the check arrived she reasoned, and conscientiously, that for her years of toil and services rendered to her aunt and uncle she was entitled to compensation, and the best way to secure it was to make a joint deposit, which would survive to her upon her uncle's death. She evidently cogitated long, because the check was not deposited until eight days after its date, and in her planning she scrupled, for she sought the advice of Dr. Salmon, her uncle's physician, of whom she inquired whether he thought it would be fair if she should do it. To the cashier, when she made the deposit, she said:

"That Mr. Hunt wanted her to put it in her own name, but she did not want to do it that way; she preferred to have it where she might control it, that is to say, drawing interest for him in his failing years."

She did not lay claim to the money. After the check had been deposited she told her friend Mrs. Phillips "that she was going to get some one to try to persuade Uncle Joe to leave the money to her that was in the Lambertville bank," and that that same one was a Mrs. Eva Parent. The inference, though somewhat obscured, is that Elizabeth did not regard the fund as having passed from the ownership and control of her uncle, and that she considered herself merely its custodian, for him. An occurrence of some time later, it is contended, shows that a gift had been made. It will be recalled that Elizabeth took the identification card home with her to secure her uncle's signature. On this he wrote his name as joint depositor, although, singularly, his indorsement on the check was by mark. Mrs. Parent says she was passing the house one day, when Elizabeth called her in and asked her if she were going to Lambertville soon, to which she replied that perhaps she was on the morrow, and was then asked, if she did, would she come up early and stop in, and she (Elizabeth) had an errand she wanted her to do. Mrs. Parent stopped in the next day, and Elizabeth said:

"Wait a minute; I want to call Uncle Joe."

When he arrived she said:

"I want you to get Uncle Joe to put his name on this signature card with mine. He gave me this money for my own, but I want him to have his money, and I want the card so he at least can have the interest on the money if I should die."

To this Joseph protested, saying:

"I don't want to do it; I gave this to Lizzie for hers; Mary has her share, and there is plenty for the boy (meaning the complainant)."

The witness urged him, saying:

"You had better do it if Lizzie thinks best."

To which he replied:

"I don't want to do it. This is Lizzie's, and there is plenty for the boy."

Now, when had he given it to her, and in what manner did he transfer the title? It was apparently not until after the deposit was made, for it was after that time that Elizabeth said she was going to get Mrs. Parent to persuade him to give her the money, and if it was afterwards, then the issuing of the passbook in their joint names, and its delivery to, and retention by, Elizabeth, was not a sufficient tradition, unless he knew of its existence, which, as I have said, is not shown. Goodrich v. Rutland Savings Bank, 81 Vt. 147, 69 Atl. 651. Why Elizabeth postponed the signing of the card until Mrs. Parent called a second time by appointment is unexplained, but it may be that on the first visit Joseph was not in a frame of mind to accede to her request. His declaration that he had given the money to her, it

is true, is not irreconcilable with Elizabeth's statement to the cashier that her uncle wanted her to make the deposit in her name, nor with the notion that he gave her the check outright; but it is in conflict with her previous utterances, to which I have called attention, and with what Joseph later told the complainant that he had received the money for the farm, and that he told Lizzie to put it in the bank in their joint names, so that, if anything happened to the complainant, he (Joseph) would have something to help him in his old days, and with the statement made by Elizabeth to the complainant that the money came, and she did not want it to lay around the house, that she had taken it to the Amwell Bank and put it in her uncle's name and her own, and that some time when he (the complainant) came up they would go down to the bank and have his signature added.

The evidence is far from satisfying me that in the first instance the uncle gave the fund, or the check representing it, to Elizabeth, with donative intent, and that he then intended to, and actually did, strip himself of all dominion over it—requisites essential to a gift inter vivos, or that he, subsequent to the deposit, made a gift of it to her. Elizabeth's act of making the joint deposit and her suggestion to the complainant that his name be included as one of the depositors challenges seriously the idea that she had become the absolute owner of the fund, and the view she entertained of her relation to it evinces that she understood that the enjoyment of the fund was to be hers, if at all, only when her uncle had finished, a disposition, testamentary in character, in violation of our statute of wills, and falls within the rule laid down in Stevenson vs. Earl, 65 N. J. Eq. 721.

But, even if all of the formalities for the making of a valid gift had been observed, with donative purpose, yet the transaction could not be sustained, because of the unrebutted presumption of undue influence raised by the confidential relation which existed between Elizabeth and her aged and enfeebled uncle, and the dependency of the latter upon her, which presumption cast upon the defendant the burthen of showing by clear, convincing, and satisfactory evidence that the gift was the voluntary and intelligent act of the donor. Coffey vs. Sullivan, 63 N. J. Eq. 296. The failure to carry this burthen of proof brings the case directly within the doctrine laid down by Mr. Justice Reed in Haydock vs. Haydock, 34 N. J. Eq. 570, 38 Am. Rep. 385, as follows:

"I take the rule to be settled that, where a person enfeebled in mind by disease or old age is so placed as to be likely to be subjected to the influence of another, and makes a voluntary disposition of property in favor of that person, the courts require proof of the fact that the donor understood the nature of the act, and that it was not done through the influence of the donee. * * * The presumption against the validity of the gift is not limited to those instances where the relation of parent and child, guardian and ward, or husband and wife exists, but in every instance where the relation between the donor and donee is one in which the latter has acquired a dominant position."

And, furthermore, if it were necessary, the principle involved in Slack vs. Rees, 66 N. J. Eq. 447, 59 Atl. 466, 69 L. R. A. 393, could be invoked. The rule of that case is pointed out in Post vs. Hagan, 71 N. J. Eq. 234, as having specific application to cases in which the gift, if valid, has the effect of stripping the donor of practically all of his property. Here the donor's entire estate amounted to only $2,147.44 —the deposit in bank and a $1,000 government bond. For his support he depended upon the gratuities of the complainant. The giving away, under such circumstances, of more than one-half of so small an estate, the whole of which was manifestly inadequate for the maintenance of the donor, raises, it seems to me, the presumption of improvidence as effectually as if the estate had been a large one, and the proportions of the gift had resulted in leaving the same small residue.

"That a person," said Mr. Justice Garrison in Post vs. Hagan, "already aged or infirm or otherwise dependent should give to the one upon whom he thus depends practically his whole living beyond recall, and at the very time when apparently he had most need to retain it, raises in the mind of a chancellor the presumption that the donor may not have appreciated the irrevocable character of his act or that he did not foresee its legal consequences to himself. This presumption of apparent improvidence gives rise to the special rule followed in Slack vs. Rees, which may be called the rule of independent advice. By force of this rule, if a person upon whom another has in fact come to be dependent accepts a gift from such dependent person of all of his or her estate, a court of equity, moved by the apparent improvidence of such a gift, casts upon the donee the burden of showing that the donor had the benefit of proper independent advice. Proper independent advice in this connection means that the donor had the preliminary benefit of conferring fully and privately upon the subject of his intended gift with a person who was not only competent to inform him correctly as to its legal effect, but who was furthermore so disassociated from the interests of the donee as to be in a position to advise with the donor impartially and confidently as to the consequences to himself of his proposed benefaction."

That Joseph had not the benefit of independent advice is ceded, and that his relation to Elizabeth was one of trust and dependence was not disputed.

The camplainant is entitled to a decree. Costs will not be allowed against the defendant. Peer vs. Peer, 11 N. J. Eq. 432.

(95 At. Rep. 138.)

An Important Decision

THE United States District Court for the District of Massachusetts has rendered a lengthy decision in the famous Cambridge (Mass.) bank looting case, in which the directors are declared liable for the indebtedness of the bank on account of negligence. As the decision is too long to print in full in THE BANKERS MAGAZINE, a complete copy may be had for fifteen cents in stamps on application to this office.

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

SET OFF OF FUNDS

———, Texas, Nov. 20, 1915.

Editor BANKERS MAGAZINE:

SIR:—We have a legal question we would like answered in that department of your magazine.

A certain individual was indebted to this bank in the sum of five dollars, and had money to his credit at the First National Bank of this city. Also, he owes a note to the First National Bank, secured by live stock, and the note not yet due.

This bank enters suit against the individual, and simultaneous with the filing of suit, garnishment is run against the First National covering the amount due this bank.

Question.—Has the First National the right to apply the funds to the credit of the individual, after filing of garnishment, toward payment of the note due them? Has the First National Bank any right whatever to alter the status of the individual's account after garnishment papers have been served upon them?

Yours very truly,

CASHIER.

Answer.—The garnishee proceedings effectually prevents any more transactions on the account and the bank has no right to set off any debt due it until the attachment is vacated. Moreover a bank cannot charge up an unmatured note to a depositor's account.

A bank may set off a *matured* note against a depositor's account (Niblack vs. Bank, 169 Ill. 517) but a bank

having an unliquidated claim against a depositor cannot set off a deposit against the claim and so defeat the right of an attaching creditor. (Irvine vs. Dean, 93 Tenn. 346). It has been repeatedly held that a bank may *not* set off an *unmatured* note against a deposit. (Wiley vs. Bunker Hill Nat. Bank, 183 Mass. 495), even though the maker is insolvent (Oatman vs. Bavarian Bank, 77 Wis. 501; Spalding vs. Backus 122 Mass. 553; Homer vs. Bank of Commerce, 140 Mo. 225; Chipman vs. Bank, 120 Pa. 86); (Ellis vs. First Nat. Bank, 22 R. I. 565.) The note being unmatured, the bank has no right to charge it against the account, even though it had not been attached.

FORGED CHECK

——, Iowa, Nov. 29, 1915.

Editor BANKERS MAGAZINE:

SIR:—A forged check of $100 was taken by us, and in payment of it we gave the forger who passed the check a draft of $75, the balance in cash. The draft was taken to another bank in the city and was endorsed by the forger of the check. We stopped payment on our draft and the same was protested by the bank which cashed it. We would like to know if we are responsible for the draft or whether or not we would have to pay it.

Yours very truly,

CASHIER.

Answer.—In the present case there are three points clear: (1) *That the check was paid by the issuance of the draft.* In order to constitute payment of a check it is not necessary that the cash therefor be delivered to the party demanding payment, the giving of credit by the drawee to the holder being sufficient to constitute an irrevocable payment. When credit has been duly given in such a case, the situation is the same as though the cash had been paid by the bank to the holder and then redeposited by the holder to his credit. (Brady, The Law of Bank Checks and authorities cited, p. 227.) In this case the acceptance of the check and payment part in cash and part by draft to the holder's order would, under the rule above stated, constitute payment.

(2). *Being a forgery the check cannot be charged against the depositor's account.*

The general rule of law is that a bank is liable for a forged signature, and where payment is made on a forged instrument the bank cannot charge the amount to the depositor's account in the absence of negligence or fraud on the part of the depositor. The question often arises as in this case as to the right of the bank to recover from the person to whom payment was made. If the bank can reach the party by whom the forgery was committed or the one who received the money with the knowledge of such forgery, its right to recover is clear. But payment is generally made by the drawee bank to some bank or individual who had no knowledge of the fraud, and who received the payment in good faith. The weight of authority in this question is to the effect that the drawee bank, having paid the forgery, cannot recover the money from the party who received it without knowledge of the fraud. This is the weight of the decisions; but the law is in an unsettled condition and the right of the drawee bank to recover in such a case depends largely upon the circumstances involved, and the jurisdiction. When a bank pays on spurious signature it is a payment made under mistake of fact, and the settled rule of law is that money paid under mistake of fact may be recovered back, however negligent the party paying may have been, *unless the payment has caused such a change in the position of the party receiving payment that it would be unjust to require him to refund.*

(3). *That the bank presenting the draft being an innocent holder for value whose position would be changed if refund were made cannot be required to refund the amount of the draft.*

By some of the authorities that repudiate the doctrine that money paid on a forged instrument may not be re-

covered back, it is held that a bank which pays a forged check may recover the money thus paid even from a holder in due course, providing the latter has not been prejudiced or misled by the failure of the drawee to detect the forgery at the time of the presentment of the check.

If after a check is paid by the drawee to the holder, the holder pays the money over to the person from whom he received the check, in reliance upon the bank's action in honoring the check, then the holder may rightfully claim that payment of the check by the bank implied its genuineness and mislead the holder into paying over the money to a third party. But if, at the time of presentment of the check, the holder has already paid value for it, then the payment of the check by the bank in no way misleads the holder. The holder has taken no step to his prejudice in reliance upon the bank's action. If the bank is allowed to recover in such a case the effect is merely to place the parties in the same position they would have been had the bank detected the forgery and refused to honor the check. It is under these circumstances,—that is, where the holder has not been mislead or prejudiced by the act of the bank in paying the check—that the line of authorities allows a recovery by the bank. (Brady, p. 172.)

The draft in question was cashed by another bank which becomes the innocent third party to a genuine instrument, and to require the bank to refund would change its original position. The $25 was paid directly to the forger, who, if he were compelled to refund, would be no worse off than before; therefore, we conclude that you must pay the draft unless you can show that, by refunding, the bank cashing the same will not be injured. Your right of redress is upon the forger, but your obligation on the draft cannot be avoided.

Points on Banking Law

By M. L. HAYWARD, B. C. L., of the Canadian Bar

Bankers Lien

SUPPOSE A, a depositor, is indebted to a bank; A makes a deposit in the bank to his own credit in the ordinary way, and there is no agreement on the part of the bank as to how the deposit is to be applied. Can the bank, with or without notice to A, apply the deposit to the payment of A's debt? Yes.

This rule has been laid down by the English courts, by the United States Supreme Court, and by the state courts of Alabama, Arkansas, Delaware, Florida, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Missouri, Nebraska, New York, North Carolina, Ohio, Pennsylvania and Virginia,—Louisiana being the only state in which a different rule has been applied.

AUTHORITY OF A BANK MANAGER

THE question as to how far the branch manager of a Canadian bank may bind the bank, and under

what circumstances the bank is liable for his acts, is well illustrated by the case of Thompson vs. Bank of Nova Scotia decided by the Supreme Court of New Brunswick, 32 N. B. R. 335.

In this case one Daniel was the agent of the Bank of Nova Scotia at Campbellton, New Brunswick. Thompson, a customer, was indebted to the bank and the bank solicitor at Campbellton (on Daniel's instructions) issued civil papers against Thompson; but the officer did not succeed in serving them, and Thompson crossed the Restigouche River into the Province of Quebec. In order to serve the civil papers it was necessary to get Thompson into the Province of New Brunswick, and Daniel and the solicitor laid a criminal information against Thompson for getting money under false pretenses before a Campbellton magistrate; went to Quebec, and had Thompson brought back to Campbellton, where the magistrate who issued the warrant, after hearing the evidence in the matter, dismissed the case. As soon as Thompson was discharged he was arrested on the civil papers and lodged in jail. The agent had not reported the matter to the head office at Halifax nor consulted with them in any way in regard to the matter, and the proceedings were taken without any express or implied authority from the bank. Thompson then sued the bank for malicious prosecution and false imprisonment, and the question was whether the bank was liable for the acts of its agents under the circumstances.

The majority of the court held that the bank was not liable, on the following grounds:

1. That it could not be presumed that the agent had a general authority to prosecute for the bank.
2. There was no evidence to show that such a prosecution was within the scope of the agent's duties.
3. That the facts did not show an emergency which would give an implied authority to act.
4. That the authority of the solicitor was no greater than the authority of the agent.

MEMORANDA ON CHECKS

TO what extent is a bank cashing a check liable as being chargeable with notice of certain facts by reason of the memorandum endorsed on the check?

The question depends upon the circumstances of each particular case, but the general rule is that memoranda on checks descriptive of what the funds are or the source from which they come do not act as a notification to the bank of any facts which it is to investigate.

In a case where it appeared that a member of a firm drew checks on the partnership account, and the checks contained memoranda from which the bank might have inferred that the firm's assets were being used for the payment of personal debts, the court said:

"Neither our own researches nor the result of the labor of counsel has disclosed a case in which, under such circumstances, liability has been fixed upon the bank for checks so paid. Banks are not trustees of their depositors in the sense that they must see to the application of funds drawn by those entitled to check against them. In the multiplicity of business transactions innumerable instances must occur in which circumstances known to the bank or some of its officers would suggest doubts as to the destination of funds checked against, which circumstances, if investigated, would disclose to what purposes the funds were being applied. But it has never been suggested that the bank may properly, much less that it ought as a duty to the beneficiary of the fund, suspend its ordinary course of business that it may satisfy itself as to the right of him authorized to draw out the fund to so apply it. Where there is not a duty to act there can be no responsibility for failure to act, and it must be held that banks discharge their duty to depositors when, in good faith, they disburse the funds held by them in compliance with the directions of him who had the right to direct such disbursements. There ought to be either a fraudulent purpose on the part of the bank or actual knowledge of a

fraudulent design by another shown before liability can be fixed on it for paying out funds on checks signed by him authorized to draw."

In another case the court said:

"The bank is bound to take notice of memoranda and figures upon the margin of a check which a depositor places there merely for its own convenience, to preserve information for his own benefit; and in such case, the memoranda and figures are not a notice to the bank that the particular check is to be paid only from a particular fund."

Banking Publicity

Conducted by T. D. MacGREGOR

A Big Advertisement

The Corn Show of the First National Bank, St. Paul, Last Month Attracted Much Attention

WITH the alliterative slogan, "Corn and Cattle Contribute Capital for Bigger Bank Balances," the First National Bank of St. Paul, "Jim Hill's bank," as it is colloquially known in the Northwest, has been conducting a wonderful corn-growing contest and exhibition.

As Vice-President O. M. Nelson said in telling the St. Paul Town Criers about it, this is one of the biggest things that has been done in bank advertising, because of its wide scope and the altruistic nature of the results sought from it.

AN INVITATION TO ADVERTISING MEN

Corn is the most valuable crop the United States produces and the collateral benefits of raising it are very important.

Thousands of ears of corn from all sections of Minnesota, Wisconsin, North and South Dakota, Montana, Washington, Oregon and Idaho were exhibited at the "First National" Corn Show, which was held in the lobbies of the new building of the First National Bank and the Northwestern Trust Co., the last half of last month. Despite the weather conditions that prevailed in 1915 unfavorable to the successful growing and maturing of standard corn, the quality of the entries received was exceptionally fine, and the vast number of individual ten-ear exhibits entered indicated the great interest taken by farmers of the Northwest in the production of corn.

The "First National" Corn Show differed from other projects of a like magnitude, inasmuch as the object was merely to encourage the growing of more corn and live stock in Northwestern States, there being no direct financial returns whatever to the promoters of the show, as exhibits were received without the customary entry fee and no admission fee was charged the public to view the mammoth display of corn.

The promotion of this show was primarily a part of the campaign outlined by James J. Hill to further interest in

diversified farming. The initiative in giving publicity to the project was taken by the Agricultural Extension Department of the First National Bank and Northwestern Trust Co. They sought and secured the hearty co-operation of Northwestern bankers to the end that a sufficient number of exhibits were received to enable them to prepare a very creditable corn display. This display was of more interest to the farmers of the Northwest than an exhibition prepared under more favorable circumstances, as the present display showed the corn best adapted to the various Northwestern States in adverse years, so far as weather is concerned.

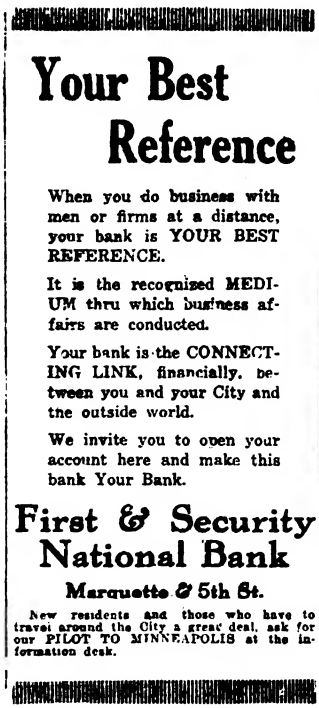
The exhibit was open to the inspection of the public from 8.30 A. M. to 6 P. M. daily, December 15th to 31st., inclusive. Short addresses were made afternoons on agricultural subjects and motion pictures of appropriate nature were shown.

Each exhibit of corn was placed in a separate compartment on racks of special design, and it was arranged to segregate the entries from the various districts in the corn contest states, so that visitors at the show were able to view corn from any particular territory they were directly interested in throughout Minnesota, Wisconsin, North and South Dakota, Montana, Washington, Oregon and Idaho.

Special interest in the "First National" Corn Show was displayed by members of the Boys' Corn Clubs throughout the Northwest, and many exhibits were received from the boys included in its membership of ten thousand. Their corn was segregated in like manner as that entered by adults, and they were awarded an equal share of the one hundred and thirty-six loving cups valued at $5,000 that were offered as prizes to exhibitors at the show.

Comment on Reproductions

THE ad. of the Old National Bank of Oshkosh, Wis., is another good sample of the right use of a circle border.



A COUPLE OF GOOD ONES

A VARIETY OF STRONG BANK ADVERTISEMENTS

Giving away a city guide, as the First Security National Bank of Minneapolis offers to do in its little ad., is a good way to "key" an ad. But our advice is not to place too much confidence in that as an infallible test of your advertising results.

⊙

There's human interest in the ad. of The First National Bank of Milwau-

kee, and good legible type is used, but a good, interesting heading would have added fifty per cent. at least to its effectiveness, we believe.

You can't get away from that Hellman Bank "24" ad.—striking and convincing.

The 116-year-old Bank of the Manhattan Company is reaching out after business in other cities with the use of very distinctive copy, a specimen of which as used in Cleveland is reproduced herewith. The substitution of a different name is the center display line adapts the ad. for any other city where it may be desired to advertise.

Quite a number of trust companies have insurance departments. There is a good field for advertising. The American Trust Co. of Charlotte, N. C., is taking good advantage of it, if the big ad. shown is any criterion.

Two other good Los Angeles ads. are those of the Title Insurance and Trust Co., and the German-American Trust and Savings Banks—each distinctive and effective in its style and copy.

The Los Angeles Trust and Savings Bank has made good use of "The Book of Thrift" by reproducing some of its "Thrift Don'ts" in a savings ad.

The ad. of the First and Old Detroit National Bank is good typographically and contains strong arguments, but the word "Service" as a heading seems rather old and unimpressive. Like the expression "Safety First" and many others, it is overworked, although the *idea* is excellent.

Herewith are reduced reproductions of the first and last pages of the attractive folder containing the condensed

St. Louis, the fourth city in population in the United States, is likewise the fourth in position as a manufacturing city. The Department of Statistics of the State Labor Bureau in its report for 1913-14 approximates the value of goods made by nearly 2,500 establishments at $378,731,470 as against $345,657,438 the twelve months prior. The capital invested is estimated at $47,622,153. There are 87,114 males and 26,401 females employed in the various factories. The annual wages paid approximate $74,692,604. There are several hundred small factories in the city that make no returns. Made in St. Louis Products of many kinds are to be found in all parts of the civilized world.

As a wholesale and jobbing market for dry goods, silks, notions, and kindred lines, St. Louis continues to maintain her position as one of the leading centers of the country, and, although owing to the financial stringency and the general war in Europe, together with the unprecedented cotton situation, in the South, the total volume of business for the year did not equal the record-breaking year of 1913, it was well up to the average, and the decrease was proportionately less than the decreased volume of other markets.

FRONT AND BACK COVER OF A STATEMENT FOLDER SENT OUT BY THE THIRD NATIONAL BANK ST. LOUIS

ENGRAVED BUSINESS CARD OF THE MADISON COTTAGE, ANNOUNCING THE TIME OF THE DEPARTURE OF STAGES

From "Fifth Avenue," a history of that famous thoroughfare prepared for the Fifth Avenue Bank by Perry Walton, Boston, Mass.

statements of the Third National Bank of St. Louis, as reported to the Comptroller on November 10, 1915. The first page, which is certainly striking, yet dignified, is embossed in colors, and most effectively fulfills the primary requirement of any form of publicity—to attract attention. On the fourth page of the folder appears a summary of the important position occupied by St. Louis as a manufacturing and distributing center. The second and third pages respectively contain the officers and directors and the balance sheet—all constituting an excellent sample of the original publicity work being done by Assistant Cashier M. E. Holderness.

About Fifth Avenue

The Fifth Avenue Bank Gets Out an Interesting Book

PERHAPS the best known street in America is Fifth Avenue, New York. Very appropriately, The Fifth Avenue Bank, which has been located on that famous thoroughfare for fifty years, has gotten out a 78-page illustrated historical sketch of it. This book was written, designed and printed under direction of the Walton Advertising and Printing Company, Boston, Mass.

The book is well written and splen-

didly illustrated—as interesting as a romance. It contains practically no advertising of the bank. That is supplied on a folder inserted in the book.

Organized in 1875, in what was then a residential district, The Fifth Avenue Bank was the first bank of deposit and discount in the 42nd street section.

Favored with an admirable location—amid surroundings that imparted a distinctive and homelike atmosphere—the bank, from the beginning, attracted the "uptown" residents it was primarily intended to serve. To this day many of its original depositors, their families and descendants, have continued relations with it. Exceptional accommodations, notably its facilities for women clients, have commended the bank to an ever-widening circle of individual depositors.

How Banks Are Advertising

Note and Comment on Current Financial Advertising.

THE 1915 trust company directory of the United States, issued by the United States Mortgage and Trust Company of New York, is a handy book and a good advertisment for the institution that issues it.

PART OF A RESULTFUL SERIES

A good piece of advertising matter used by the Commercial National Bank of Raleigh, N. C., is a sheet reproducing pages from two different issues of "The Progressive Farmer" of Raleigh, one containing an article on "We Need Rural Thrift as Well as Rural Credits" and the other one entitled "Start a Bank Account this Fall."

A picture and sketch of James J. Hill forms the introduction of a "reading article" ad. of the Cole Savings Bank, of Fon du Lac, Wis., the only purely advertising line in the article being the last one, which contains the welcome information that a savings account can be started with one dollar.

A reproduction of the "Business Chances" classified ad. department of a newspaper showing how ready cash is needed to take advantage of opportunities, is on the back of pay envelopes distributed by the Drexel State Bank of Chicago.

A MUCH DISCUSSED AD.

In a recent advertisement of the Security Trust and Savings Bank, Los Angeles, occurred this clever statement:

"The savings depositor's first thought should be for security.

"The Security's first thought is for the savings depositor."

⊙

A joint trade and finance letter sent out by the National Copper Bank and the Bankers Trust Company of Salt Lake City, was illustrated with photographic reproductions of agricultural products raised in its territory. One of the most interesting was a stack of threshed wheat in bags containing about 33,000 bushels of finest Turkey Red wheat, from a yield of about 26 bushels to the acre on raw land, without irrigation and in a dry summer. This was at Idaho Falls, Idaho.

⊙

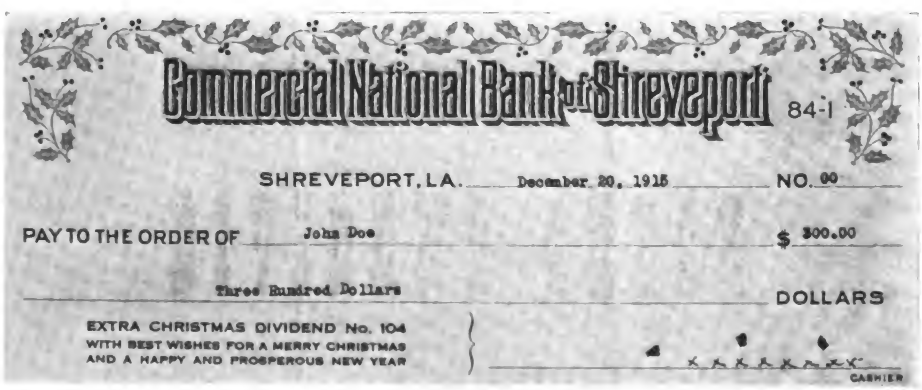
The Sioux Falls National Bank of Sioux Falls, S. D., secured new savings accounts by offering an Eastman camera free to every person who opened a savings account in November and showed a balance of at least $25 on December 24th, on which date the cameras were presented to such customers.

⊙

A unique booklet cover was that of the Spokane and Eastern Trust Company of Spokane, Wash. The booklet reprinted about thirty newspaper ads., full size, and the cover was made of miniature reproductions of the ads. arranged in checkerboard style, giving a tiled effect, so that the title of the booklet was "Tiles from the Publicity Pavement of a Bank of Strength and Service."

⊙

A quarterly house organ called the "North Side Bulletin," is issued by the North Side Savings Bank of New York. House organs seem to be a logical advertising medium for outlying banks in New York or any other large



IN PAYING AN EXTRA CHRISTMAS DIVIDEND TO THE STOCKHOLDERS OF THE COMMERCIAL BANK OF SHREVEPORT A SPECIALLY DESIGNED CHRISTMAS CHECK, AS SHOWN ABOVE, WAS APPROPRIATELY USED

BOSTON'S MAYOR HAS CLEARED OUT ALL THE SIDEWALK CLOCKS IN THE CONGESTED DOWN-TOWN DISTRICT, SO THE INTERNATIONAL TRUST CO. FILLS THE VOID AS SHOWN ABOVE —A GOOD MEANS OF DRAWING ATTENTION TO THIS BRANCH OFFICE

city where it is out of the question to advertise in daily newspapers because of the high rates and waste circulation as far as the bank's territory is concerned.

⊙

The West Newton Savings Bank, West Newton, Mass., has adopted the slogan "Safety for Savings," which is used on all the bank's advertising matter. The legend also appears on the banner floating from the flag pole on top of the new building.

⊙

The First National Bank of Boston displays its latest statement of condition prominently in the lobby, printed on a white card in heavy black type, in a frame about $2\frac{1}{2}$ by $3\frac{1}{2}$ feet.

⊙

The National Shawmut Bank of Boston has just issued a very well printed booklet in which the various services of that institution are briefly described. It is entitled "The Bank and the Individual," and shows how the latter may best avail himself of the services of the former.

⊙

From Assistant Secretary William G. Edens of the Central Trust Company of Illinois comes a booklet of the informative type, bearing the title of

A GOOD EXAMPLE OF THE USE OF THE CIRCLE BORDER

'What We Do." And the story is told, plainly and instructively, so that the work of the main departments of the company will be fully understood by the reader. Not only is the work of the various departments carefully explained, but details are added showing the advantages offered in point of service and safety. That the Central Trust Company has gained public confidence is pretty well established by the fact that while it is still comparatively a young institution, its assets now exceed $55,000,000.

Bank Advertising Exchange

Those listed herewith are willing to exchange booklets, folders and other advertising matter issued by them. Subscribers can get on this list free of charge.

Watch for new names and other changes.

F. R. Adams, Will Co. National Bank, Joliet, Ill.
American National Bank, Richmond, Va.
D. Ansley, care Central Trust Co., San Antonio, Texas.
Carl W. Art, manager publicity department, Union Trust & Savings Bank, Spokane, Wash.
A. F. Bader, publicity manager, City National Bank, Evansville, Ind.
C. W. Bailey, cashier, First National Bank, Clarksville, Tenn.
The Bankers Magazine, New York.

IN THIS GRAPHIC FASHION ASSISTANT CASHIER M. E. HOLDERNESS OF THE THIRD NATIONAL BANK, ST. LOUIS, PROCLAIMS THAT THIS INSTITUTION IS DECIDEDLY ON THE MAP—BOTH GEOGRAPHICALLY AND IN POINT OF EXTENSIVE BANKING SERVICE

H. C. Berger, Marathon County Bank, Wausau, Wis.
C. J. Bevan, cashier, Exchange Bank, Genoa, Ill.
E. L. Bickford, cashier, First National Bank, Napa, Cal.
R. A. Bradham, cashier, The Commercial & Savings Bank, Sumter, S. C.
D. R. Branham, 6252 Leland Way, Los Angeles, Cal.
Jesse E. Brannen, cashier, First National Bank, Westwood, N. J.
Bank of San Rafael, San Rafael, Cal.
E. M. Baugher, president, The Home Building Association Co., Newark, Ohio.
C. W. Beerbower, National Exchange Bank, Roanoke, Va.
H. C. Bollman, assistant cashier, First National Bank, Collinsville, Okla.
T. J. Brooks, cashier, The Guaranty Trust & Savings Bank, Jacksonville, Fla.
J. A. Buchanan, Guaranty Trust Co., Lancaster, Pa.
F. B. Bunch, cashier, Merchants & Farmers Bank, Statesville, N. C.
E. C. Burton, vice-president, Penn. National Bank, Chester, Pa.
Stephen L. Burwell, vice-president, First National Bank, Jackson, Miss.
A. Bush, Jr., Ladd & Bush, bankers, Salem, Oregon.
The Citizens Bank & Trust Co., Tampa, Fla.
Citizens National Bank, Oconto, Wis.
Commercial Bank, Midway, Kentucky.
Allan Conrad, Box 385, Port Huron, Michigan.
B. S. Cooban, 518 W. 62d Street, Chicago, Ill.
H. Reed Copp, assistant advertising manager, Old Colony Trust Co., Boston, Mass.
Arthur S. Cory, Chehalis National Bank, Chehalis, Wash.
David Craig, Tradesmens National Bank, Philadelphia, Pa.
M. Clarence Crowson, cashier, Home Banking Co., High Point, N. C.
Eugene E. Culbreth, Commercial National Bank, Raleigh, N. C.
Bradley Currey, c/o Fourth & First National Bank, Nashville, Tenn.
H. A. Dalby, Naugatuck Savings Bank, Naugatuck, Conn.
Dexter Horton National Bank, Seattle, Wash.
T. R. Durham, assistant cashier, Chattanooga Savings Bank, Chattanooga, Tenn.
W. R. Dysart, assistant cashier, First National Bank, Ripon, Wis.
J. C. Eherspracher, assistant cashier, First National Bank, Shelbyville, Ill.
A. A. Ekirch, secretary, North Side Savings Bank, New York City.
F. W. Ellsworth, publicity manager, Guaranty Trust Co., New York.
Hamilton National Bank, Denver, Colorado.
The Franklin Society, 38 Park Row, N. Y.
E. W. Finch, assistant cashier, Birmingham Trust & Savings Co., Birmingham, Ala.
First National Bank, Lead, S. D.
H. Gavere, asst. cash. of Scandinavian American Bank, Grand Forks, N. D.
B. P. Gooden, advertising manager, New Netherland Bank, New York.
J. W. Groves, advertising manager, Minnesota Loan & Trust Co., Minneapolis, Minn.
C. F. Hamsher, First National Bank, Los Gatos, Cal.
Victor F. Hann, manager publicity department The Fifth Avenue Bank, New York City.
J. W. Hansen, cashier, Citizens State Bank, Sheboygan, Wis.
D. L. Hardee, publicity manager, Wachovia Bank & Trust Co., Winston-Salem, N. C.
E. A. Hatton, cashier, First National Bank, Del Rio, Texas.
John R. Hill, Barnett National Bank, Jacksonville, Fla.
Jessamine G. Hoagland, publicity manager, National City Bank, Chicago, Ill.
N. M. Hokanson, State Bank of Chicago, Chicago, Ill.
Frank K. Houston, vice-president, Third National Bank, St. Louis, Mo.
L. M. Howard, vice-president, Continental Bank & Trust Co., Shreveport, La.
Indiana Bldg. & Loan Association, South Bend, Ind.
Charles D. Jarvis, c/o Savings Bank of Utica, New York.
W. L. Jenkins, Farmers & Mechanics Trust Co., West Chester, Pa.
Theodore Jessup, Woodlawn Trust & Savings Bank, 1204 E. 63rd Street, Chicago, Ill.
V. W. Johnston, president, Illinois Trust & Savings Bank, Champaign, Ill.
W. P. Jones, assistant cashier, First National Bank of Commerce, Hattiesburg, Miss.
W. R. Kay, Jr., advertising manager, Sacramento Bank, Sacramento, Cal.
C. B. Keller, Jr., assistant cashier, Stroudsburg National Bank, Stroudsburg, Pa.
Grover Keyton, New Farley National Bank, Montgomery, Ala.
M. R. Knauft, assistant cashier, Merchants National Bank, St. Paul, Minn.
A. T. Kahn, vice-president, Commercial National Bank, Shreveport, La.
Henry M. Lester, National City Bank, New Rochelle, N. Y.
A. E. Lindhjem, assistant cashier, Scandinavian American Nat. Bank, Minneapolis, Minn.
L. W. Lovell, assistant cashier, The Lovell State Bank, Monticello, Iowa.
E. G. McWilliam, publicity manager, Security Trust Savings Bank, Los Angeles, Cal.
Ralph H. Mann, Park Trust Co., Worcester, Mass.
Charles S. Marvel, The First-Second Savings & Trust Co., Akron, Ohio.
H. B. Matthews, S. W. Straus & Co., Straus Bldg., Chicago, Ill.
J. C. McDonald, advertising manager, The City National Bank, Sulphur Springs, Texas.
Merchants National Bank, Lawrence, Kansas.
Frank Merrill, advertising manager, The Northwestern National Bank, Minneapolis, Minn.
Will E. Morris, assistant cashier, Farmers & Merchants Bank, Stockton, Cal.
E. R. Mulcock, Commercial National Bank, Syracuse, N. Y.
Northwestern Trust Co., R. P. Sherer, vice-president, St. Paul, Minn.
W. W. Norton, Treas., Robbins Burrall Trust Co., Lakeville, Conn.
Old State National Bank, Evansville, Ind.
J. A. Overton, cashier, The National Bank of Smithtown Branch, Smithtown Branch, N. Y.
R. B. Parrish, cashier, National Bank of Commerce, Williamson, W. Va.
A. E. Potter, president, Broadway National Bank, Nashville, Tenn.
W. W. Potts, treasurer, The Federal Title & Trust Co., Beaver Falls, Pa.
John W. Pratt, Real Estate Officer, The Kennett Trust Co., Kennett Square, Pa.
Wm. J. Ruff, cashier, Luzerne County National Bank, Wilkes-Barre, Pa.
W. W. Russell, cashier, First National Bank, White River Junction, Vt.
George J. Schaller, cashier, Citizens National Bank, Storm Lake, Iowa.
Almot Schlenker, assistant cashier, First National Bank, Brenham, Tex.
Paul T. Schulze, assistant cashier, State Bank of La Crosse, La Crosse, Wis.
E. P. Simpson, Jr., assistant cashier, First National Bank, Toccoa, Ga.
Sioux City Trust & Sav. Bank, Ben W. Frieden, cashier, Sioux City, Iowa.
T. K. Smith, Jr., manager, Gimbel Brothers, Bankers, New York City.
J. G. Spangler, cashier, The Mesa City Bank, Mesa, Ariz.
F. E. Stewart, secretary and treasurer, Commercial Savings Bank & Trust Co., Toledo, Ohio.
T. H. Stoner, cashier, The Peoples National Bank, Waynesboro, Pa.
C. E. Taylor, Jr., president, Wilmington Savings & Trust Co., Wilmington, N. C.
A. C. Tonsmeire, cashier, City National Bank, Mobile, Ala.
Union Trust Co. of D. C., Washington, D. C.
F. H. Williams, assistant treasurer, Albany City Savings Institution, Albany, N. Y.
John W. Wadden, Lake County Bank, Madison, S. D.
Wessels Van Blarcom, assistant cashier, Second National Bank, Paterson, N. J.
C. C. Willson, c/o Continental & Commercial Trust & Savings Bank, Chicago, Ill.
Frank A. Zimmerman, Chambersburg Trust Co., Chambersburg, Pa.
Paul E. Zimmerman, cashier, Oak Park Trust and Savings Bank, Oak Park, Ill.

NEW NAME

J. H. McDowell, c/o American Trust & Banking Co., Chattanooga, Tenn.

First Ten National Banks

THE following is a list of the first ten national banks established in the United States, with date on which charter was issued:

The First National Bank of Philadelphia, Pa. Charter issued June 20, 1863. Placed in liquidation June 10, 1882. Succeeded by No. 2731, The First National Bank of Philadelphia. which was permitted to resume its original charter number (1) June 10, 1902.

The First National Bank of New Haven, Conn. Charter issued June 20, 1863. Placed in liquidation May 6, 1882. Succeeded by No. 2682, the First National Bank of New Haven, which was permitted to resume its original charter number (2) May 19, 1909.

The First National Bank of Youngstown, O. Charter issued June 20, 1863. Placed in liquidation May 15, 1882. Succeeded by No. 2693, the First National Bank of Youngstown. Resumed its original charter number (3) April 6, 1909.

The First National Bank of Stamford, Conn. Charter issued June 20, 1863.

The First National Bank of Fremont, O. Charter issued June 22, 1863. Corporate existence expired May 22, 1882. Succeeded by No. 2703, the First National Bank of Fremont. Resumed its original charter number (5) February 23, 1910.

The First National Bank of Syracuse, N. Y. Charter issued June 22, 1863.

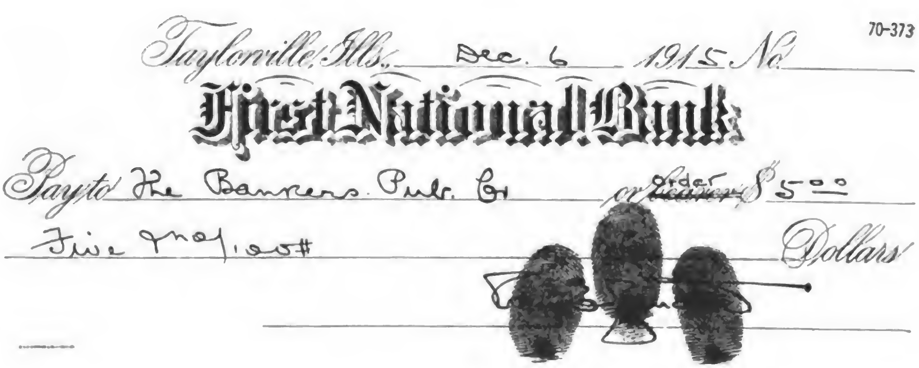
The First National Bank of Cleveland, O. Charter issued June 22, 1863. Placed in liquidation May 13, 1882. Succeeded by No. 2690, the First National Bank of Cleveland. Resumed its original charter number (7) May 16, 1910.

The First National Bank of Chicago, Ill. Charter issued June 22, 1863. Placed in liquidation April 29, 1882. Succeeded by the First National Bank of Chicago, No. 2670, which resumed its original charter number (8) May 24, 1911.

The First National Bank of Dayton, O. Charter issued June 22, 1863. Placed in liquidation April 9, 1870.

The Second National Bank of Dayton, O. Charter issued June 22, 1863. Corporate existence expired May 25, 1882. Succeeded by No. 2678, the Third National Bank of Dayton.

All of the foregoing banks are in operation with the exception of The First National Bank of Dayton, O.



THE FIRST NATIONAL BANK OF TAYLORVILLE, ILL., USES THE FINGER-PRINT METHOD OF SAFEGUARDING SIGNATURES

THE BANKING LOBBY AS SEEN FROM THE FRONT ENTRANCE. FIRST NATIONAL BANK, ST. PAUL, MINN.

Modern Financial Institutions and Their Equipment

New Home of the First National Bank, St. Paul, Minnesota

FROM the primitive days of St. Paul as a frontier trading post until the present, when the city has become one of the important commercial centres of the country, the First National Bank has been continuously serving the needs of its community and standing as a fine example of sound banking traditions and practices combined with the progress which assures complete adaptability to the ever-growing demands for added facilities. This statement finds adequate confirmation from the bank's latest balance-sheet, showing a total of more than $54,000,000, which means that for every year of its existence the total resources have shown an average gain of more than one million dollars, for the life of the bank extends from 1864 to the present—a period of fifty-two years. A further evidence of the solid success the bank has won is the new building, herewith illustrated, only a portion of which, of course, is occupied by the bank. But the new home, splendid as it is, in no sense represents any purpose of the First National Bank to exalt itself. The new home is primarily for those who deal with the bank, offering the larger and more perfect accommodations which the very great growth in the volume

MAIN BANKING ROOM TAKEN FROM THE LAST GALLERY. FIRST NATIONAL BANK, ST. PAUL, MINN.

and character of business required. The immense structure houses the Northern Pacific and Great Northern Railway, the First National Bank and the Northwestern Trust Company, and is in size, construction and striking appearance one of the notable business structures of the United States. It is beautiful in design, and in all respects a worthy representative of modern American commercial architecture.

A BRIEF DESCRIPTION

THE bank's quarters are exceedingly roomy, the main banking room, 145 by 176 feet, being one of the largest in the country. On entering one immediately recognizes its spaciousness and light as well as the richness of the equipment and the appropriateness of all details of arrangement and furnishing. From the marble vestibule at the Jackson street entrance one passes a private booth at the main doorway, this booth being for the floor officer of the bank, and a little farther on is another booth for the information clerk, the wide lobbies of the main banking room spreading out from either side.

A chain of twenty-two cages, made of solid bronze and ornamented black wrought-iron, surround the room at three sides. There is a wide path for working space between the cages and the main walls. At the left of the entry are the officers' desks. There are six private offices for consultations and for senior officers, three at each side of the main doorway. A paneled mahogany counter, with a marble top, separates the officers' space from the lobby, beginning where the series of cages ends. Bronze gates give access through the counter.

All the woodwork in the bank portion of the building, including working desks in the cages, is of Mexican mahogany, of a heavy, dark variety. Special mahogany wardrobes have been provided for the use of the officers.

At the far end of the banking room, directly opposite the main entrance,

VIEW OF THE OFFICERS' SECTION FROM THE MAIN LOBBY. FIRST NATIONAL BANK, ST. PAUL, MINN.

back of the cages, are four vaults, two for books and records, another for checks and the fourth for currency. Three large tables, with racks for blank checks, drafts and deposit slips, occupy the central portion of the lobby. They are of marble and constitute one of the chief ornamental features of the bank.

A large marble stairway leads from the safety deposit department in the basement to the second floor. The banking room itself is fifty feet high. Surrounding the lobby is a balcony which is reached by the stairs. A four-foot bronze rail runs around the gallery.

Special attention has been given to the women's department, that recent and necessary adjunct of progressive American banks. It occupies the space at the right of the entrance corresponding to the officers' quarters at the left side. A rest room and writing room comprise part of its equipment.

Connecting with and opening off of the banking room are the new offices of the Northwestern Trust Company, which are a replica, in design and finish, of the larger section, with pink Tennessee marble used instead of the Alaskan variety.

The main dimensions of the safety deposit department, on the basement floor, are 110x145 feet. Separate divisions are provided for men and women. The interior is finished with marble, and the floor is of marble terrazo, with an ornamental border.

Thirty-three mahogany customer's booths, to be used while examining the contents of safe deposit boxes, have been installed. Each is seven and one-half feet high, paneled inside and out, with glazed panel doors and cornice molding. They are furnished with mahogany chairs and a shelf of plate glass.

Two public check tables have been placed at convenient points in this department, which contains three private officers' rooms, with a fourth large chamber for directors' meetings. The officials in charge of the safe deposit department

ANOTHER VIEW OF OFFICERS' QUARTERS. FIRST NATIONAL BANK, ST. PAUL, MINN.

have desks at the front of the room, separated from the public section by a marble-top counter.

At the rear of the safety deposit vaults are storage rooms for the bank and the trust company.

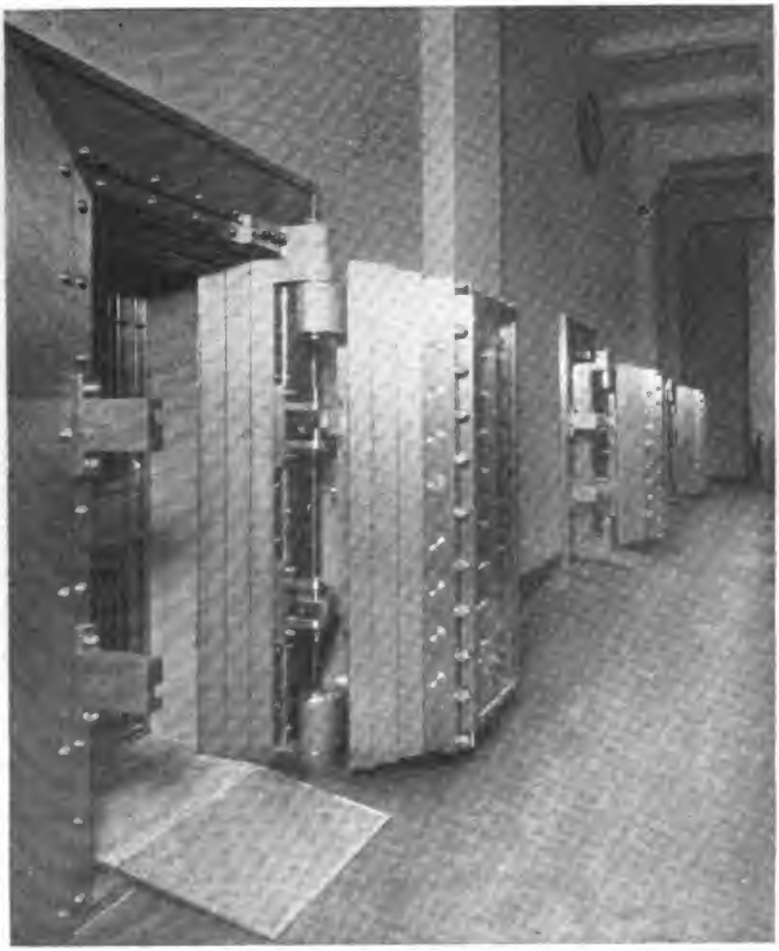
Every possible attention has been given to the selection of material and the construction of the vaults, and it is believed that they represent the best product of the vault engineer's skill.

From the accompanying illustrations and this brief description it will be seen that in every detail the home of the First National Bank of St. Paul combines all the elements desirable in modern bank construction, and the result of the wise planning that preceded its erection now appears in a building where the bank's patrons and the bank's staff find the most ample and best provision possible made for comfort, convenience and safety.

HISTORICAL SKETCH

THIS is truly a pioneer bank, its beginnings reaching back to the days when the now large and important city of St. Paul was little more than a straggling outpost of civilization.

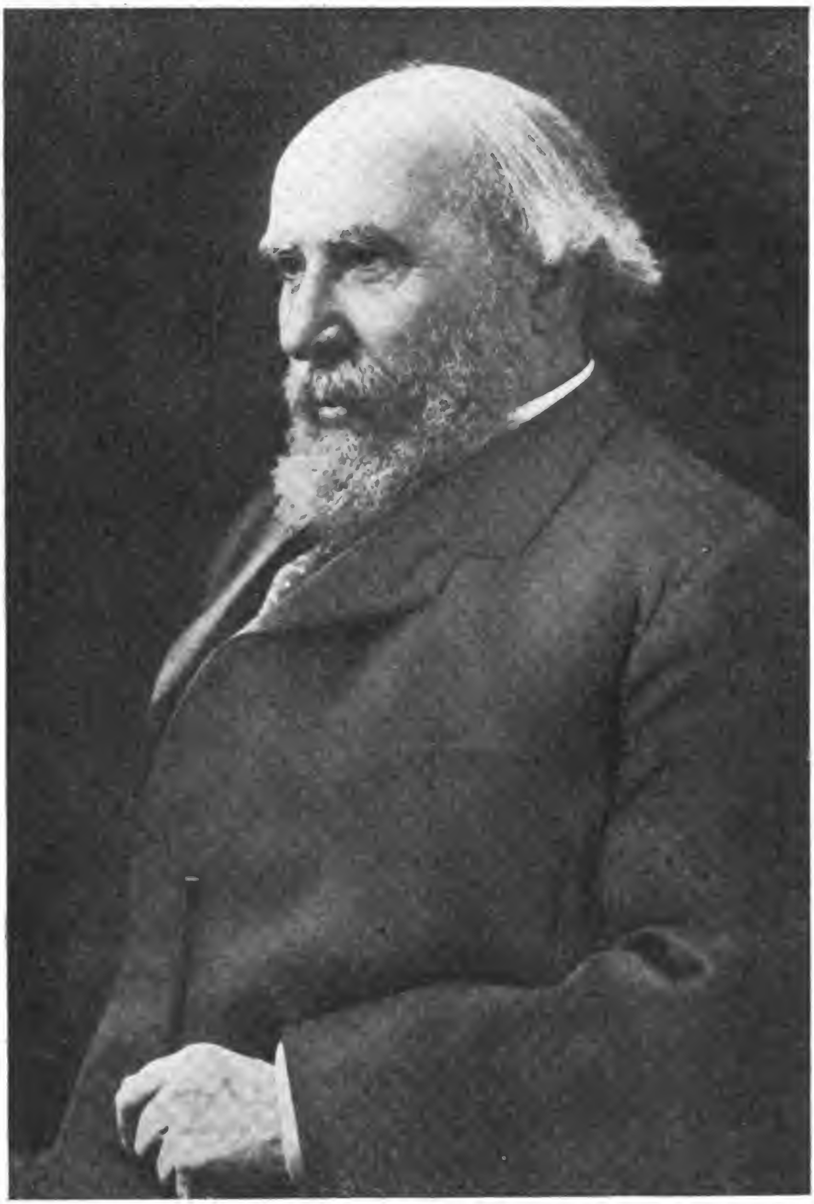
In 1860 J. E. Thompson located at St. Paul and was shortly afterwards joined by his brother, Horace Thompson. They were natives of Vermont, but prior to the beginning of the Civil War excitement they had been engaged in mercantile business in Georgia. When they reached St. Paul it was a place of about 10,000 people and had three banks, one of them being owned by Parker Paine. In 1860 J. E. Thompson bought an interest in this bank, which did business from then under the name of Thompson, Paine & Co., and when Horace Thompson came to St. Paul he also entered the firm, which thereafter was known as Thompson Brothers. In 1862 this firm was succeeded by the Bank of Minnesota. When the National Bank Act was passed the Messrs. Thompson and others interested in the Bank of Minnesota organized the First National Bank as its successor. The charter for the First National Bank was issued in February, 1863, the month in which the original National Bank Act became a law, but the bank



THREE OF THE MASSIVE VAULT DOORS WEIGHING OVER 20 TONS EACH.
FIRST NATIONAL BANK, ST. PAUL, MINN.

did not begin business until January, 1864. Its capital at the start was $250,000 and the first officers were: James E. Thompson, president; T. A. Harrison, vice-president; Horace Thompson, cashier; Charles Scheffer, assistant cashier, and H. P. Upham, teller—the latter being destined afterwards to sustain a long and important relation to the bank's development. Business was prosperous from the first, for the new community was growing, and by September, 1864, the capital was increased to $500,000, to $600,000 in the following year, and to $1,000,000 in 1873, when the First National Bank absorbed the City Bank of St. Paul. Mr. Upham, who had been made assistant cashier of the First National in 1869, resigned at the end of the year to enter the lumber business. He was subsequently connected with the City Bank, and when the latter was absorbed, as above stated, he became cashier of the First National Bank.

As the bank became firmly established other interests engaged the activities of the Thompson brothers, and they took an important part in the early railway development of the Northwestern country. James E. Thompson was also one of the original incorporators of the Minnesota Mutual Life Insurance Company. He continued at the head of the



James J. Hill
CHAIRMAN OF BOARD, FIRST NATIONAL BANK, ST. PAUL, MINN.

bank until his death in 1870, when he was succeeded by his brother, Horace Thompson, who had been cashier. His presidency lasted for ten years, during which period the bank grew steadily. In 1873, as stated above, the City Bank was absorbed, the officers of the First National Bank being at this time: Horace Thompson, president; L. E. Reed, vice-president; H. H. Upham, cashier; H. M. Knox, assistant cashier.

While on a business trip to New York in the latter part of 1873 Mr. Thompson died. Like his brother, he was in-

terested in a number of important enterprises, having been one of the incorporators of the St. Paul and Sioux City Railway and the first president of the St. Paul Chamber of Commerce.

After the death of Horace Thompson the duties of president of the First National Bank were assumed by Henry Pratt Upham. He had been cashier of the bank since 1873, when the City Bank was absorbed, and had been engaged in the banking business in St. Paul since 1857. Mr. Upham remained as president of the First National until 1907, when he retired to become chairman of the board of directors, which position he held until his death, May 1, 1909.

Mr. Upham began his duties as president of the bank May 12, 1880. Other new officers elected at this time were: C. D. Gilfillan, vice-president, and E. H. Bailey, cashier. Mr. Bailey had been connected with the bank since 1873, and for many years had held the position of teller.

Mr. Upham had been connected with the bank for forty-six years and served as president for twenty-seven years. His management was always of a character to enhance the bank's reputation for strength, while affording the banking accommodations needed for a growing territory. He had resided at St. Paul since 1857 and had seen the place grow from 10,000 to over 200,000.

NEW QUARTERS OF THE FIRST NATIONAL BANK OF ST. PAUL AND THE NORTHWESTERN TRUST CO., ST. PAUL, MINN.

On January 12, 1897, E. H. Bailey was elected vice-president and W. A. Miller cashier. Two assistant cashiers, F. A. Nienhauser and O. M. Nelson, were elected on June 23, 1903. There were no changes from this date until January 8, 1907, when Mr. Upham resigned as president and became chairman of the board of directors, which position he occupied until his death, May 1, 1909. Mr. Bailey was elected as the fourth president and E. N. Saunders vice-president.

E. H. BAILEY
PRESIDENT FIRST NATIONAL BANK,
ST. PAUL. MINN.

OTTO M. NELSON
VICE-PRESIDENT FIRST NATIONAL BANK,
ST. PAUL, MINN.

AN IMPORTANT EVENT

WHAT was one of the most important events in the bank's history took place in January, 1913, when the Second National Bank was merged with the First National Bank, James J. Hill having previously acquired a strong interest in both institutions. Just what effect this merger has had may be inferred from the fact that prior to the consolidation the deposits of the First National Bank were $13,559,000 and those of the Second National $3,824,000, or combined deposits of a little more than $17,000,000, while on November 10 last the deposits of the First National Bank were $48,159,411.08.

The Second National Bank was organized in 1864, soon after the First National was started. It grew out of the banking house conducted in St. Paul by E. S. Edgerton, who had formerly been connected with the Peoples Bank of St. Peter, Minn. He was the first president of the Second National Bank. The original capital of this institution was $150,000.

Mr. Edgerton entered the banking business in St. Paul in 1853 as a member of the firm of Mackubin & Edgerton. This banking house was one of the few that survived the panic of 1857. It was incorporated in 1859 under a State charter as the Peoples Bank and reorganized as a national bank in 1864. The following year the name was changed to the Second National Bank.

The respective positions of the First and Second National banks prior to consolidation may be seen from the accompanying statements of deposits.

December, 1912 (First National Bank before consolidation with Second National)	$13,559,603.57
December, 1912 (Second National Bank before consolidation)	$3,824,958.54

GROWTH OF THE BANK

AS related at the beginning of this sketch, the resources of this bank have grown at an average rate of more

CHAS. H. BUCKLEY
CASHIER FIRST NATIONAL BANK,
ST. PAUL, MINN.

E. MOTT
ASSISTANT CASHIER FIRST NATIONAL BANK,
ST. PAUL, MINN.

than one million dollars a year, and while the greatest increase in the deposits and business has been since the consolidation, the First National Bank had experienced a steady and healthful growth before that event, as may be seen from the subjoined statement showing deposits on the dates named.

April, 1864	$245,120.34
April, 1868	537,817.00
April, 1873	1,152,380.90
March, 1878	1,551,961.30
May, 1883	4,087,742.22
April, 1888	4,268,033.75
May, 1898	5,481,356.51
May, 1908	8,828,437.34
April, 1909	9,394,015.61
March, 1910	11,399,101.50
March, 1911	11,451,064.50
January, 1913 (First National Bank after consolidation)	17,384,562.11
April, 1913	18,414,485.35
January, 1914	22,800,819.36
June, 1914	27,397,791.51
December, 1914	35,308,503.40
June, 1915	36,108,908.59
November, 1915	48,159,411.08

The complete statement of the First National Bank on November 10, 1915, was as shown herewith:

RESOURCES

Loans and Discounts	$22,242,383.76
U. S. Bonds	600,000.00
Other Bonds	6,430,001.47
Bank Building, Site and New Construction	767,100.48
Stock in Federal Reserve Bank	150,000.00
Due from Banks and U. S. Treasurer	19,579,408.03
Cash	4,244,667.98
Total	$54,013,561.72

LIABILITIES

Capital stock	$3,000,000.00
Surplus	2,000,000.00
Profit	535,743.77
Reserved for unearned interest	175,000.00
Reserved for taxes	93,406.87
Circulation	50,000.00
Deposits	48,159,411.08
Total	$54,013,561.72

THE MANAGEMENT

THERE has been a continuity in the management and policy of the First National Bank which has had a great deal to do in establishing the in-

H. B. House
ASSISTANT CASHIER FIRST NATIONAL BANK.
ST. PAUL, MINN.

Charles E. Gall
ASSISTANT CASHIER FIRST NATIONAL BANK.
ST. PAUL, MINN.

stitution in the public confidence. Only four presidents have served the bank in its long history of fifty-two years, and these have all been men who had grown up with it and were a part of the business life of the community.

At the head of the present directorate is James J. Hill, of the Great Northern Railway Company. Mr. Hill is more than a banker. He is a constructor of railways, a builder of new agricultural empires, a developer of industry, and one of the practical statesmen and economists of the time. Few men of his day, or of any day, have done more to increase and to conserve the value of our national resources than James J. Hill. He is a native of Canada, having been born at Guelph, Ont., in 1838, but has lived at St. Paul since 1856. His work in railway, agricultural and industrial development, while specially devoted to the Northwest, has given him country-wide—even world-wide—fame.

The present officers of the bank are: Louis W. Hill, chairman of the board of directors; Everett H. Bailey, president; Cyrus P. Brown, vice-president; Edward O. Rice, vice-president; Otto M. Nelson, vice-president; Charles H. Buckley, cashier; Edwin Mott, assistant cashier; Henry B. House, assistant cashier; Charles E. Gall, assistant cashier.

When Mr. Upham died in 1909 the First National Bank had a capital of \$1,000,000 and deposits of \$9,394,-015.61. E. H. Bailey, vice-president, was chosen as the fourth president of the institution in 1907, following Mr. Upham's retirement to become chairman of the board of directors.

Mr. Bailey was born at Jamestown, N. Y., April 10, 1850. For more than thirty years his father had been a banker at Erie, Pa., so he naturally chose the banking business for his life's work. He was educated in the public schools at Erie and at Erie Academy. He later completed a three years' course at Antioch College, Yellow Springs, Ohio.

His general knowledge of banking was gained while employed in his father's institution. As a young man,

however, he, too, heard the call to go West, and learning of the rising young city of St. Paul, he located here when twenty-three years of age.

He secured a position in the First National Bank as receiving teller. Later he was promoted to paying teller. His next advance was to cashier, in which position he served for seventeen years. He became vice-president of the bank January 12, 1897, and officiated in this capacity for ten years. Then he was elevated to the presidency, which he has now held for eight years.

Since Mr. Bailey became president of the First National the capital stock has been increased from $1,000,000 to $3,000,000 and the deposits have grown from $9,394,015.61 to $48,159,411.08.

Mr. Brown became vice-president about two years ago when he came to St. Paul from Providence, R. I. He has been engaged in the banking business practically all his life, and for some time was head of a big financial institution at Providence. He is also a director of the Northwestern Trust Company.

Mr. Rice was elected vice-president December 9, 1913. He also has been in the banking business for some time, although he is one of the youngest bank officials in St. Paul.

Mr. Nelson, vice-president, has been associated with the First National Bank since June 1, 1880. He attended the old St. Paul High School when its sessions were held over a dry goods store at Seventh and Jackson streets. He was graduated from a business college and started to work for the bank as a messenger boy. He rose to assistant cashier in 1905, became cashier in 1914 and vice-president January 12, 1915.

Mr. Buckley, the cashier, was born and raised at Delhi, Delaware county, New York. He was educated in the public schools there and at Delhi Academy. He was assistant postmaster of his home city from 1876 to 1883, when he came to St. Paul and got a position as clerk in the Second National Bank. He became cashier of the First National January 12, 1915.

Edwin Mott, assistant cashier, started in the banking business as a messenger boy in 1882 at the Second National Bank. He became clerk, teller and then assistant cashier. At the time of the consolidation of the two banks he was made assistant cashier of the First National Bank.

Mr. House, assistant cashier, was born at Springfield, Ill., and worked in the Springfield Marine Bank several years and then became assistant to C. H. Bosworth, national bank examiner of Chicago, St. Paul, Minneapolis and Milwaukee. Mr. Bosworth is now Federal Reserve Agent at Chicago. Five years later Mr. House became auditor of the Commercial National Bank, Chicago, under the presidency of George E. Roberts, now assistant to the president of the National City Bank of New York. Mr. House was appointed auditor of the First National Bank January 1, 1914, and elected the following April 4 to an assistant cashiership in connection with the office of auditor.

Mr. Gall went to work as a messenger boy in the First National in 1882 and has been with the bank ever since. He came to St. Paul in 1868 and was educated in the public schools. He was promoted to paying teller of the bank in 1905 and to his present position, that of assistant cashier, in 1914.

From these brief sketches it will be seen that the officers of the First National Bank are men of long banking experience. They constitute a staff combining a high degree of efficiency and courtesy.

Following are the directors of the First National Bank: James J. Hill, Great Northern Railway Company; Louis W. Hill, president Great Northern Railway Company; Edward N. Saunders, Jr., president North Western Fuel Company; Chas. W. Ames, president West Publishing Company; Everett H. Bailey, president; Cyrus P. Brown, vice-president; Theo. A. Schulze, president Foot, Schulze & Co.; Chas. W. Gordon, president Gordon & Ferguson; Watson P. Davidson, capital-

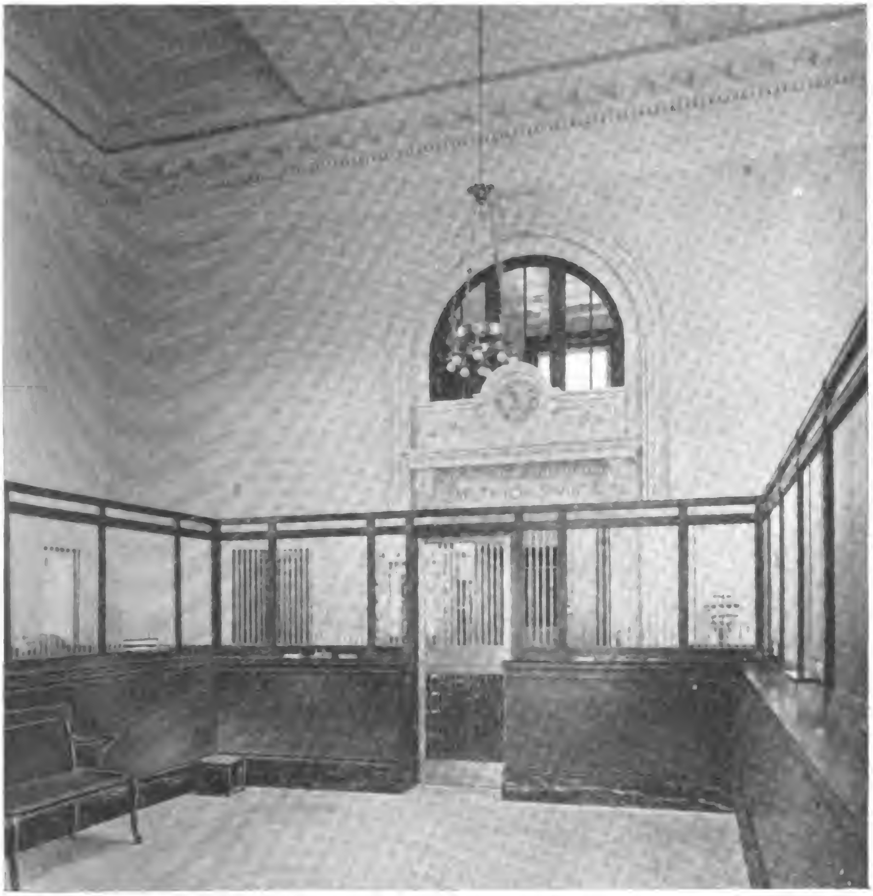
ist; Walter Butler, Butler Brothers, contractors; William B. Dean, Nicols, Dean & Gregg; Albert N. Rose, Jos. Ullmann; Albert L. Ordean, president First National Bank, Duluth, Minn.; Richard A. Jackson, vice-president Great Northern Railway Company; David C. Shepard II, Finch, Van Slyck & McConville; John J. Toomey, vice-president Northwestern Trust Company; George T. Slade, vice-president Northern Pacific Railway Company; James T. Clark, vice-president C., St. P., M. & O. Ry. Co.; Hale Holden, president Chicago, Burlington & Quincy R. R. Co.; Pierce L. Howe, president Imperial Elev. Company, Minneapolis; Otis Everett; Jule M. Hannaford, president Northern Pacific Railway Company; Martin R. Brown, Great Northern Railway Company.

A Model Savings Bank

A MODEL small savings bank building has just been erected at West Newton, Mass., by the West Newton Savings Bank, whose slogan, "Safety for Savings," is exemplified in the management of the bank and in the character of the building erected for the convenience of its depositors.

NEW BUILDING OF THE WEST NEWTON SAVINGS BANK, WEST NEWTON, MASS.

The building, which was erected from plans by Thomas M. James, Boston architect, is of buff brick, trimmed with limestone, and is a good example of the



MAIN. BANKING ROOM, WEST NEWTON SAVINGS BANK

adaptation of classic design to the modern bank building.

The building is on the corner of two streets and the lot is large enough to provide for an effective scheme of planting which helps to bring out the fine points of the building, and the granite buttresses and steps at the front entrance serve further to accentuate its distinction.

The banking room occupies the main portion of the building and is lighted by large windows on each side in addition to the fine overhead light from the ceiling which occupies the central panel of the ornamental beamed ceiling.

The room is finished in delicate tones of French grey which serves a fine background for the mahogany fittings and furniture.

The room is artistically lighted from four bronze fixtures hung from the center of the ceiling panels, the overhead light being sufficient to light the entire room without any side illumination.

The counter surrounding the public space is a beautifully grained mahogany with black and gold marble base and the counter screen above this is of polished steel bars in panels in a mahogany frame.

The space for the public is in the center, entirely surrounded by the working space for the officials of the bank, the treasurer's office being at the

VAULT AND WORKING QUARTERS, WEST NEWTON SAVINGS BANK



GEORGE P. BULLARD
PRESIDENT

ROLAND F. GAMMONS 2D
TREASURER

J. ELLIS GAMMONS
ASSISTANT TREASURER

OFFICERS, WEST NEWTON SAVINGS BANK

right of the entrance vestibule and the retiring room for lady customers at the left. These two rooms are wainscoted in mahogany to a height of seven feet.

The ladies' retiring room is lighted with silver brackets, delicately wrought, and the entire furnishings of the room are most appropriate. The furniture for the bank is entirely in mahogany, toned to exactly match the finish of the woodwork.

Directly opposite the entrance is the steel door giving access to the space in front of the vault. The big vault door is centered in the rear wall of the banking room and is surrounded by an ornamental doorway treatment with a balcony and clock overhead.

At the right of the vault is the investment committee room and at the left the stairs giving access both to the storage vault and the engineering plant in the basement, and also to the trustees' room in the mezzanine story.

The trustees' room is a large room lighted from two sides and has on the side toward the main banking room a glazed doorway and balcony overlooking the working space.

The building is fireproof throughout and is a distinct addition to the number of fine suburban bank buildings about Boston.

HISTORY OF THE BANK

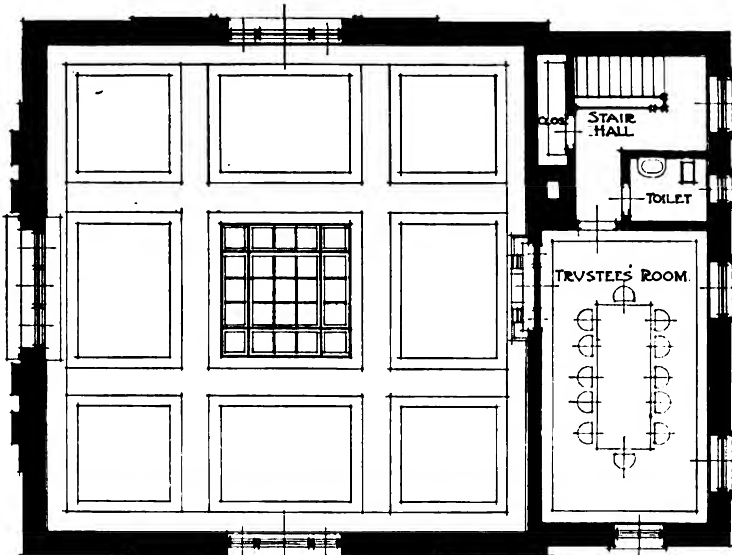
THE West Newton Savings Bank had its inception in 1887 when James H. Nickerson, its founder, called a meeting of prominent citizens of the village at his home for the purpose of organizing the new institution. During the previous year Mr. Nickerson, who conducted a tailoring establishment, and at the same time a private banking business under the name of the Exchange Banking Company, had associated with himself other business men of the community and organized the First National Bank of West Newton, of which he became the first president.

The scope of this institution was not broad enough, however, to properly serve the community, as savings accounts were multiplying and the proper investment of these funds within the town for the benefit of its citizens required legal powers not possessed by the bank of discount. Hence the West Newton Savings Bank.

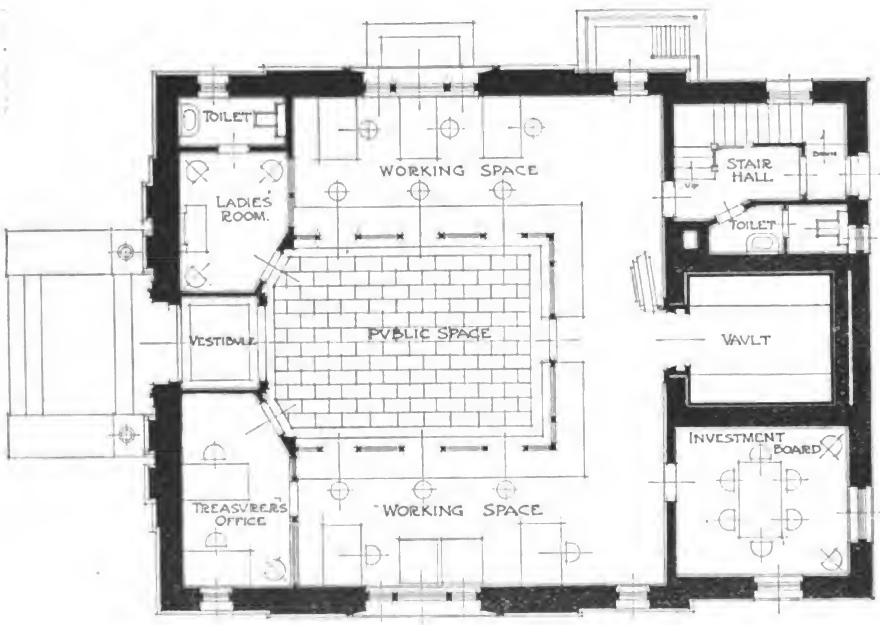
Alfred L. Barbour was chosen clerk of the corporation and retained that office until his death in 1912. Austin R. Mitchell was chosen chairman of the meeting and the following were elected corporators: James H. Nickerson, Edward R. Seccomb, Prescott C. Bridg-

ham, Charles A. Potter, Charles L. Hosmer, George Pettee, Alfred L. Barbour, Benjamin F. Houghton, Josiah E. Bacon, Francis A. Dewson, Frank E. Hunter, Samuel Barnard, Adams K. Tolman, Caleb F. Eddy, Dwight Chester, Lyman K. Putney, Edward L. Pickard, George M. Fiske, Charles T. Pulsifer and George H. Ingraham.

At the organization meeting held April 13, 1887, Austin R. Mitchell was



MEZZANINE FLOOR PLAN



FIRST FLOOR PLAN

elected president, Dr. Crockett and Benjamin F. Houghton, vice-presidents; Alfred L. Barbour, clerk, and as trustees these officers and Messrs. Cate, Chester, Pickard, Tolman, Bridgham, Pettee, Barnard and Putney.

James H. Nickerson was chosen treasurer and the bank opened for business June 13, 1887, in the quarters occupied by the First National Bank.

In 1891 deposits had accumulated to $150,000 and steps were taken to employ a clerk to be present at all times during business hours and the business was transferred from the national bank counter to a small room at the rear of the same quarters.

This small room was occupied until 1896 when, the First National having moved, its former quarters were taken and occupied until the completion of the Savings Bank's new home, to which its business was transferred October 25, 1915.

The bank's steady gain in deposits is shown by the following record:

1887	$3,755.00
1890	112,016.00
1895	350,504.00
1900	807,320.00
1905	1,236,805.00
1910	1,429,437.00
1915	1,955,475.00
Nov. 20, 1915	2,012,572.00

By economical management a strong surplus has been accumulated, now amounting to $134,000, and the proportion of surplus to deposits has shown a constant increase.

The bank has 5,371 accounts with depositors, an average of $374.71 each. Its mortgage loans are upon property in its home city with the exception of a very few loans on property in adjoining towns. Reference to the statement will show that the bank holds no real estate either under foreclosure or in possession.

The present management of the bank is in the hands of a board of twelve trustees, who are George P. Bullard, president; Charles A. Potter, Frank E. Hunter, vice-presidents; Edward C. Burrage, John C. Kennedy, Charles E. Hatfield, Jarvis Lamson, Roland F. Gammons, 2nd; John S. Alley, George P. Hatch, Herbert E. Fales and Francis Newhall.

LADIES' ROOM

Mr. Bullard was made president of the bank in 1906 upon the resignation of Mr. Nickerson. Mr. Bullard had then been a trustee for four years. He is prominent in Boston business circles, being president of the Penn Metal Company of Boston and Cambridge. He is also president of the United States Electric Signal Company and of the American Electric Tool Company and a director of the First National Bank of West Newton, the Contractors Mutual Liability Insurance Company and the Bullard Company. He served the city of Newton in its Common Council in 1894 and its Board of Aldermen in 1895 and represented the city in the Legislature in 1901 and 1902, serving as house chairman of the committee on railroads.

Roland F. Gammons, 2nd, entered the employ of the bank in 1898, being the only clerk at that time. He was advanced to the office of treasurer in 1902, then being the youngest savings bank treasurer in the state. Mr. Gammons is identified with other business enterprises of his city, being vice-presi-

dent and treasurer of the United States Electric Signal Company, treasurer and director of the American Electric Tool Company, president and trustee of the Newton Real Estate Trust, and a trustee of estates. He is also treasurer of the Massachusetts Savings Bank Officers Club.

J. Ellis Gammons, assistant treasurer, entered the employ of the bank July 12, 1910, and was promoted to his present position in October of the same year. He is a director of the American Electric Tool Company and of the Newton Real Estate Trust.

The condition of the bank as of November 20, 1915, is shown by the following statement:

ASSETS

Public funds	$35,000.00
Railroad bonds and notes	397,626.25
Street railway bonds	144,941.65
Telephone Co. bonds	38,960.00
National bank and trust company stocks	20,494.77
Bank building	34,912.60
Loans on real estate	1,356,549.25
Loans on personal security	128,101.00
Loans on savings bank books	2,600.00
Expense account	2,484.98
Taxes account	1,206.68
Cash on hand and in banks	11,962.95
Total	$2,174,840.13

LIABILITIES

Deposits	$2,012,572.68
Guaranty fund	70,000.00
Profit and loss	63,984.81
Interest	27,660.64
Suspense account	622.00
Total	$2,174,840.13

Doesn't Like the Federal Reserve Bank

ABOUT the only feature that is of any advantage to this bank from the Federal Reserve Law, says a banker correspondent, is the fact that we will be permitted to loan on farm mortgages. The service of the Federal Reserve Bank is such that it is eating up some of our profits. For instance, we are compelled to keep 2/12 of our regular reserve with the Federal Reserve Bank or $50,000. We receive no compensation for these funds. At our own reserve bank in the same city we receive two per cent. interest. The moment we check into the Federal Reserve Bank under the law we receive nothing. It was expected that the Federal Reserve Bank would be able to render all services, but up to date nothing of that kind has occurred. Our regular correspondent clears all of our items from Chicago to California, while the Reserve Bank can do nothing. Consequently, we might just as well have our $50,000 down cellar in this bank. At the same time we are compelled to keep just the same number of reserve agents throughout the country as we did before the law was passed. In addition to this we have our stock investment in the Federal Reserve Bank which pays us nothing. Should they not be able to render more efficient service within the next year or two, when the final reserves are to be transferred permanently, it is a grave question whether this bank will not withdraw and incorporate under the State law.

RECEPTION ROOM IN HOGGSON BROTHERS' NEW YORK OFFICE

The Story of a Unique Organization

NOTHING in all the phenomena of our modern American life is more strikingly dramatic than the many whimsical changes which have occurred during the past twenty-five years in the texture of the city of New York. Not only has the old order changed rapidly and overnight, but the man who returns to New York after several months' absence returns to a new and a strange city. The little shop where he used to buy his cigars is now a majestic skyscraper. The familiar landmarks of yesterday are swallowed up in the march of human progress.

A few familiar structures still remain and we cling to them as to an old friend. There is such a building down near Union Square. It is so individual and so striking that to this day the passer-by stops almost involuntarily to view it more closely.

The handsomely decorative iron work, the wonderful gold filigree on the windows, the front stairs in red and black mosaic, which give an unusual and strikingly attractive touch to the structure, was the work of an artist skilled in the art of the Orient. Once it was a private residence, and now that it has been adapted to business purposes, it still rears its head proudly as though mindful of its former glory.

Appropriately enough, it was in the

WILLIAM J. HOGGSON
PRESIDENT AND GENERAL MANAGER OF HOGGSON BROTHERS

PRIVATE OFFICE OF MR. W. J. HOGGSON, PRESIDENT AND GENERAL MANAGER

artistic environment of this building that the business of Hoggson Brothers was first housed and here twenty-five years ago the unusual and unique features of the Hoggson building method were conceived and developed.

After remaining in the Seventeenth street structure for nine years the organization moved to 7 East Forty-fourth street, and as business grew rapidly from year to year and the new quarters became crowded, an outlet was found by renting space for various departments in adjoining and near-by buildings. For seventeen years the business home of Hoggson Brothers bore the address of 7 East Forty-fourth street.

Then came the opportunity for which the organization had been waiting, the chance of bringing all departments and executives together on one floor in the fine structure at 485 Fifth avenue, where everything would move with speed and precision.

With all of the departments on one floor it has been possible to effect an arrangement and layout of offices that should promote the highest possible efficiency. The entire north wing of the building is given over to the designing, architecture, engineering, estimating and construction departments. With windows on three sides and an overhead skylight, the draughtsmen and other workers have quarters particularly well adapted for the use to which they have been put.

The general offices occupy the entire Forty-first street side of the building and the sales department and offices of the president and vice-president face Fifth avenue.

Exceptionally interesting in these new offices are the reception room and the show room. The reception room opens directly from the elevator lobby, and is panelled in dark oak to an ornamental Elizabethan ceiling. The fur-

Noble Foster Hoggson

VICE-PRESIDENT AND TREASURER OF HOGGSON BROTHERS

nishings are of hand-carved antique oak; antique standard lanterns furnish attractive lighting fixtures. The show room is divided from the main corridor by portieres in mode velvet; the felt floor covering of the same shade completes an excellent background for the display of materials in color. The light from a series of windows is softened and controlled by an inner sash filled with transparent Japanese silk. The furnishings here are also of antique oak, hand-carved.

The accompanying illustrations convey, as far as photographs can convey, a fair idea of the beauty, the simple effectiveness and the intelligent layout of the new offices and departments. The pictures also impart some idea of the extensiveness of the business, and the arrangement so as to afford the highest degree of co-operation between the various departments.

THE BUSINESS—ITS AIMS AND IDEALS

THE business of Hoggson Brothers was founded in 1889 by Noble Foster Hoggson, and at that time was known as N. F. Hoggson & Co. When Mr. Hoggson was graduated from Yale University with the degree of Ph.D. the special fondness and talent he manifested for drawing, painting and architecture, determined naturally the direction and choice of his business career.

After his graduation he entered the office of a prominent New York concern of decorators to secure practical experience in designing and decorating. A brief time spent in this work filled him with a longing to study the best existing examples of design for himself, and a travel tour through England, Germany and France was made. This trip proved most inspiring and stimulating to him,

PRIVATE OFFICE OF MR. N. F. HOGGSON, VICE-PRESIDENT AND TREASURER

CONTRACT-ORDER DEPARTMENT

DEPARTMENT OF INTERIOR DECORATION AND FURNISHING

A CORNER OF THE DESIGNING AND ARCHITECTURAL DEPARTMENT

and he sought to discover the laws and principles manifest in the works of the masters of architecture and decoration that he could apply along the lines of individuality in his own work.

On his return to New York he started in business for himself in the decoration and furnishing of residences, club houses, libraries and business buildings. He had a strong belief that a man's home should be fitted in plan, arrangement and decorations to his individual needs and characteristics, and this belief manifested itself in the operations he undertook.

The growing business demanded fuller co-operation and a division of activities, so with his brother, William J. Hoggson, he entered into a partnership, and the business of Hoggson Brothers was begun.

William J. Hoggson, though still a young man, had already made a name for himself in business, and at this early day was a pioneer advocate of profit sharing. As secretary of the Hoggson & Pettis Mfg. Co. of New Haven he formulated and put into effect a profit-sharing plan whereby the employees of the corporation finally secured control of the business.

He had been striving to effect what he felt to be business justice and he had dreams of real business effectiveness

DEPARTMENTS OF ESTIMATING AND PURCHASING

which he believed could be brought about through the medium of true sincerity of effort and purpose.

With the formation of Hoggson Brothers, W. J. Hoggson found opportunity for developing his business ideals. With his brother he conceived and put into execution a new plan of building that has since become known as the Hoggson building method—a single contract for complete building operation. Believing that every business should be in motive a profession, and every profession should be in method a business, Hoggson Brothers brought together and combined the functions of the architect and engineer, builder and decorator, in one organization, under a single management.

The second step in the plan of the Hoggson building method was to guarantee to the prospective building owner the cost of his operation in advance. Then came the profit sharing idea—a sharing of profit with the customer. It was agreed to limit the possible profit of Hoggson Brothers, and if the final cost of the building should be less than the contract cost, to return the saving to the owner. In sharing profit with customers, as well as with employees, Hoggson Brothers are pioneers.

The business of Hoggson Brothers, founded on what seems altruistic prin-

A STORE-HOUSE OF TREASURES. THE ASSEMBLING DEPARTMENT WHERE SAMPLES OF BUILDING MATERIALS FROM ALL OVER THE WORLD ARE KEPT

ciples, is at the same time an outgrowth of necessity. Practical experience in handling their many lines of work and a growing sense of the weakness and unsatisfactory results in many phases of existing building methods were factors of great influence in the formulation of the Hoggson building method. It has been tried in all sections of the country in the quarter century and more activities of Hoggson Brothers, and at all times has proved itself simpler, more thorough, speedier, more satisfactory and more economical than the usual scheme of building entailing, as it does, many contracts and division of responsibility.

Originally the business of Hoggson Brothers was devoted to the manufacturing of furniture and the decorating and furnishing of fine residences, clubs, churches, etc. Hoggson Brothers began their part of a building operation at the time the structure was nearing completion. Rarely was the building satisfactory to the owner. This situation had been brought about through delays which the owner always believed unwarranted, through mistakes for which the owner could not see the justice of paying, and through extras for items which, the owner felt, should have been taken into consideration at the inception. Throughout there had been lack of harmony, sympathy, co-operation. In place of

A PARTIAL VIEW OF THE FILING ROOM

these was constant friction. With the idea of eliminating the cause of the trouble, Hoggson Brothers began to study the problem which they had viewed so often. It seemed strange that a man who had set aside a sum of money which he had been told would be adequate for the kind of building he wanted built, rarely obtained a satisfactory result.

After considerable study and investigation these conclusions were reached:

1. That the erection of a building, with its accompanying design and drawings, was a business enterprise.

2. That unless conducted as a business enterprise, it was a foregone concluion that the result would neither be successful nor satisfactory.

One of two things always happened. Either the owner got what he expected and wanted, but paid more than a modicum in excess of what he had been led to believe it would cost, or the cost was kept within the amount specified and the result a keen disappointment.

The logical solution of these problems, as it appeared to Hoggson Brothers, seemed to be that the owner should be represented by a competent business organization, in which the skill, talents and fine understanding of the genius would co-operate with practical intelligence and business experience.

VIEW OF PART OF THE ENGINEERING AND CONSTRUCTION DEPARTMENTS

Architectural plans, construction, decoration, equipment and furnishing of a building are merely parts of a basic unity leading to a complete unit of result, and these elements cannot be safely considered separately. On the plan advanced the one organization would supervise and be responsible for all of the various steps in the building operation, instead of their being delegated in parts with a division of responsibility and no accountable head.

Hoggson Brothers put the plan into execution. The first contract they undertook was for a residence. The needs, desires and wishes of the owner were carefully studied. Every detail was considered in advance and his approval obtained on each item before any active work was begun. He knew in advance exactly what he was to get, and so confident was he of the result that upon signing the final approval he took a long trip to California. He did not return home until his house had been finished, complete in every respect. It was satisfactory to him. The architect had been engaged by Hoggson Brothers and worked under their direction. The cost was kept within the appropriation, a flat price having been set for the completed building at the beginning.

THIRD NATIONAL BANK BUILDING, SPRINGFIELD, MASS., NOW NEARING COMPLETION —AN EXAMPLE OF A SPLENDID TYPE OF COMBINATION BANK AND OFFICE BUILDING BEING ERECTED UNDER THE HOGGSON BUILDING METHOD

Many more contracts were entered into and carried to a successful conclusion on this basis—a flat price or lump sum for the entire operation. Then a most radical change was effected.

A new form of contract was evolved in which the basic features were a limit of cost to the owner and a limit of profit to Hoggson Brothers. The objects in view were the elimination of competition and the enormous expense incident to competition. So, instead of making an extraordinarily large profit on some work, and little or no profit on other contracts, it was intended that a uniform profit should be figured to be made on every operation undertaken.

Not only did the volume of business increase constantly, but the territory in which work was done spread until there was no section of the country that was not represented by a building erected under the Hoggson building method. There were exceptional residences,

FIRST NATIONAL BANK OF BROWNSVILLE, TEXAS, AN IMPRESSIVE INDIVIDUAL BANK BUILDING DESIGNED AND BUILT BY HOGGSON BROTHERS

churches, libraries, skyscrapers and banks.

Hoggson Brothers believe that a modern building should combine strength, beauty, harmony, simplicity, convenience, permanence, economy and revenue. They believe that only under a form of contract which places upon one concern the responsibility for the design, construction, decoration and equipment of a building can an owner be assured a harmonious and satisfactory outcome of his project. In "Crowds," Gerald Stanley Lee tells the one objection found with the Hoggson building method. "Non," in the following extract, is Mr. Lee's pleasant description of William J. Hoggson, president of Hoggson Brothers.

"I was calling on ——————, treasurer of ——————————, in his new bank not long ago—a hushed, reverent place with a dome up over it and no windows on this wicked world—a kind of heavenly minded way of being lighted from above. It seemed to be a kind of church for money.

" 'This is new,' I said, 'since I have been away. Who built it?'

"—————— mentioned the name of Non-Gregarious, as if I had never heard of him. I said nothing. And he began to tell me how Non built the bank. He said he had wanted Non from the first, but that the directors had been set against it.

"And the more he told the directors about Non, he said, the more set they were. They kept offering a good many rather vague objections, and for a long time he could not really make them out.

"Finally he got it. All the objections boiled down to one: Non was too good to be true. If there was a man like Non in this world, they said, they would have heard about him before."

TOM RANDOLPH

CHAIRMAN OF THE BOARD, NATIONAL BANK OF COMMERCE IN ST. LOUIS

National Bank of Commerce in St. Louis

UNDER the presidency of John G. Lonsdale, who came to St. Louis from New York in June last year, the National Bank of Commerce in St. Louis is gradually gaining in the volume of its business, the statement of December 31, 1915, showing total resources of over sixty-seven millions of dollars, thus giving the bank a position among the banking institutions of the country commensurate with the importance of St. Louis as a commercial, industrial and financial center. On the date named the deposits stood at $46,-000,000.

The large crops marketed at good prices for two successive years and the revival in manufacturing and transportation have served to add very materially to the amount of business done by the St. Louis banks, and with the excellent facilities provided by the National Bank of Commerce that institution has had its full share of the prosperity coming from the better times.

It is evident from the bank's growth that the directors acted wisely when on June 15 last they unanimously called John G. Lonsdale to the presidency of the bank. Since his election to that position Mr. Lonsdale has devoted his time and energy assiduously and exclusively to the bank's interests, and with results that may clearly be seen, even in the short period that has elapsed since he became the executive head of the bank.

Mr. Lonsdale—who is a native of Memphis, Tenn.—has had extensive banking and business experience. His activities have included real estate, insurance, a railway receivership, vice-president of a railway, head of a private banking firm, bank director, and finally New York partner in the firm of Logan & Bryan, bankers and brokers, which position he held when elected president of the National Bank of Commerce. He is not only a man of wide and successful banking and general business experience, but is a thorough student of the principles upon which sound banking and business rest.

As a member of the executive committee of the Southern Society of New York and president of the Tennessee Society in New York he was socially prominent in the East, and has taken a leading place in social affairs and public welfare work in St. Louis. His personal qualities and training excellently equip him for the important position he occupies, and under his direction the National Bank of Commerce may rightfully be expected to show a continuous record of prosperity.

The election of Mr. Lonsdale as president made it possible for Tom Randolph to be relieved of a portion of the heavy duties and responsibilities which he had borne for some time. Mr. Randolph and Mr. Lonsdale have long been close personal friends, and it was at the urgent request of the former that the latter came to the bank.

Tom Randolph is one of the many Texans who have left their native soil and achieved great success in banking and other walks of life.

As a young man he gained the distinction of being the youngest cashier of a bank in the United States, when he was in charge of the Merchants and Planters Bank of Sherman, Texas. He rose rapidly in that position and attained the presidency of the institution, which he continues to hold, although he came to St. Louis in 1903 to assume the presidency of the Commonwealth Trust Company. In 1908 he entered

JOHN G. LONSDALE
PRESIDENT NATIONAL BANK OF COMMERCE IN ST. LOUIS

J. A. Lewis

VICE-PRESIDENT AND CASHIER NATIONAL BANK OF COMMERCE IN ST. LOUIS

the National Bank of Commerce as vice-president and discharged the duties of his office with such ability that on April 29, 1913, he was unanimously elected president of the bank.

At that time he had been working incessantly for many months, twelve and fourteen hours per day at his desk, and with the unusual conditions precipitated by the enactment of new banking legislation, together with the additional labors accruing to him, his health finally became impaired, and for nearly all of 1914 he lay at a point between life and death. Only his wonderful will power and great cheerfulness pulled him through. While his health and strength have in a measure been restored, and he still gives much of his time to the bank as chairman of the board, Mr. Randolph welcomed the opportunity of lessening his duties, and especially since he could transfer them to a friend in whose character and ability he has absolute confidence.

The official changes in the National Bank of Commerce referred to above were supplemented by a recognition of the long and able service of J. A. Lewis, for many years cashier of the bank, who was on June 15, 1915, made vice-president also. Mr. Lewis through many years of association with the bank has become familiar with all the details which go to make up a great bank, and besides has a very wide acquaintance and a thorough knowledge of banking and business. His promotion was based absolutely on meritorious service — a part of the bank's well-matured policy in advancing its most capable men to the most responsible positions.

A complete list of the officers and directors of the National Bank of Commerce in St. Louis follows: Chairman of the board, Tom Randolph; president, John G. Lonsdale; vice-presidents, W. B. Cowen, W. L. McDonald; vice-president and cashier, J. A. Lewis; assistant cashiers, F. W. Wreieden, G. N. Hitchcock, A. L. Weissenborn, George R. Baker and W. M. Chandler. Directors: Sigmond Baer, F. H. Britton, E. T. Campbell, George O. Carpenter, Samuel C. Davis, H. Elliot, Edw. A. Faust, J. Howard Holmes, Sam M. Kennard, H. P. Knapp, John G. Lonsdale, F. Aug. Luyties, John T. Milliken, H. J. Pettengill, Clay Arthur Pierce, Tom Randolph, E. C. Simmons, R. H. Stockton, and W. S. Thompson.

IDLENESS

IDLENESS means degeneracy and decay. It is contrary to the lessons of nature; contrary to the teachings of our fathers, and contrary to the great scheme of civilization.

—From "PARAGRAPHS ON THRIFT," by Frank C. Mortimer.

Territorial Vice-Presidents of A. B. A.

PRESIDENT JAMES K. LYNCH of the American Bankers Association announces the appointment of the following territorial vice-presidents:

Alaska, Sidney Anderson, cashier Bank of Seward, Seward; Canal Zone, A. G. Clapham, president Commercial National Bank of Washington, D. C., Branch, Cristobal; Hawaii, S. M. Damon, Bishop & Co., Honolulu; Philippine Islands, D. Garcia, cashier Bank of the Philippine Islands, Manila; Porto Rico, Burt O. Clark, manager American Colonial Bank, Branch, Mayaguez.

Economy and Efficiency in Bank Correspondence

TO save time and labor and to assure accuracy are considerations of first importance in conducting a bank's correspondence. In this department of bank work an invention

THE EXECUTIVE'S INDISPENSABLE SERVANT

is rapidly coming into use that promises to be almost if not quite as influential in promoting economy and speed as the typewriter and adding machine. This is the dictaphone, which may now be found in many of the most progressively-managed banks and whose use is bound to extend rapidly as its serviceableness becomes known.

THE efficiency of the process of transferring ideas to paper concerns the entire staff of a bank or other business organization—the manager, the department heads, the clerks, typewriter operators, and even the messenger boy. And of course, first of all in importance, the executive heads of any business. The dictaphone system of handling correspondence—of which the dictaphone itself is only a part—assures a provable increase of productiveness and efficiency in the typewriting of letters or anything else.

The dictaphone is in fact the busy man's ideal amanuensis, for it is always there—always ready, invariably accurate, and unlimited in its speed and capacity for work. It thus saves time, money, and nerves. The man who dictates to the dictaphone dictates just as he talks to the telephone and with no more thought of the instrument before him. When he dictates to the dictaphone he does better work and much more of it, and his typists write more letters and better letters, and does it far more easily.

In any organization where time is reckoned as money, the dictaphone soon pays for itself and begins piling up dividends. Its value to the executive head of a great business is in exact ratio to the value of his own services.

Whether he dictates long and studied letters, quick, terse notes, rough memoranda, office messages—ten hours at a stretch or at scattered intervals, over a period of any length during the day, the dictaphone receives them all, instantly, correctly, almost automatically—and any capable operator on the staff of typists can do the transcribing.

The dictaphone is a new right arm to the business correspondent whose desk is piled high with letters in every mail. He dictates the first minute he is ready—and any one or all of a dozen oper-

TRYING TO STUDY IT OUT IN THE OLD WAY

ators can transcribe his work. No matter how well he knows what he wants to say or how fast he hustles it off, the dictaphone "gets it."

There are no disconcerting queries or "repeat it" requests to interrupt the person dictating. He knows that what he says has been engraved by the sapphire on the brilliant surface of the dictaphone cylinder—and that the operator can make her dictaphone repeat any word or sentence as often as she likes, if she by any possibility does not understand it the first time, or the second time. The correspondent knows when he dictates that his ready-to-sign correspondence will be on his desk early and right, and that if required the last letter of the day or the most important letter of his correspondence can be in process of typewriting one minute after he has dictated it.

THE primary purpose of the dictaphone is to conserve the costly time of the high-priced man. But the same result applies to the operator and transcription. From the dictating end of the dictaphone system, one business man will best appreciate it as a means of getting through his regular mail earlier; another as an amanuensis that is ready at his elbow every minute of the day, or night. Another man will appreciate it as a money maker and a time saver, pure and simple; another as a producer of better looking letters; another as a godsend in work that has to be done overtime, early or late; and still another as a means of supplementing his work at the office by dictation at home, night or day.

The dictaphone system is to-day an integral part of the office system of great railroad companies and great banking institutions, and is appreciated particularly in thoroughly systematized offices, not merely for the purpose of increasing the productiveness of every typewriting machine in the system (which the Dictaphone does), but also to unburden the highest priced executives of the incessant annoyances and exasperating delays incident to a shorthand intermedium between the important message—the hurried memorandum—the rough idea—and the finished typewritten page.

Dictaphone dictation is the direct method of dictation, and is the one method wherever efficiency is a fact and not a theory. It has been well proved over and over again by individual business men, by the officers of many banking institutions, as well as by writers and the busiest specialists in the medical profession, by the ablest lawyers, by the well-known preachers, by government officials, department heads, in the largest manufacturing organizations—in fact, by every concern of every type where efficiency is a necessity. No business man can possibly ignore the Dictaphone without shutting his eyes.

It is not merely an assertion, but a provable fact, that when you dictate to the Dictaphone, you are increasing the finished output of every typist from one-third to a half; and reducing the

cost of letters from a third to a half at the same time.

SO much for the Dictaphone from the executive man's end and the economy end. It is just as important just as interesting, just as convincing from the typist's end of the work. And it is invariably the fastest, cleverest stenographers who appreciate the relief the Dictaphone affords. Dictaphone dictation is direct—there is no note taking between the spoken word and the typewritten sheet. The actual voice is better, quicker, surer than the pencil —and hearing is far easier than hearing plus note-taking and note-reading.

The Dictaphone operator gets what is said—not what she reads from her notebook of what was said—and as the necessity for repeating words or sentences arises, she can hear them repeated forty times without embarrassment or annoyance to anyone. In stenography the nervous strain of pencil marking everything is real and no one knows it better than the thousands of skilled stenographers who are now taking their dictation direct from Dictaphone cylinders. Every notebook filled with shorthand notes means from one to six hours of trying work—and every minute of it is wasted—every minute of it represents inefficiency in the handling of correspondence. When one dictates to the Dictaphone, the typist does not do more work, but she does produce more letters. And the better stenographer she is the better Dictaphone operator she will become. For skillful stenography is not a product of nimble fingers, but of brains. And every quality that has contributed to making a valuable stenographer will be apparent in her work as a Dictaphone operator.

IT is interesting to summarize the operation of dictating and transcribing Dictaphone dictation. Let us consider dictation. Snap on the switch when you begin your day's work. Slip a blank cylinder on the Dictaphone. Set the "dictate" lever, get your papers before you and then talk naturally and easily into the receiver. You press a hand control while you are speaking and release it whenever you stop. You indicate any corrections on the memorandum pad as you go along. Whenever you want to hear what you have dictated, simply reverse the "dictate" lever and listen. Then when a cylinder is filled, place the papers with it in the rack. That is all. It is easier than it sounds, because in your first two hours' dictation every act will become automatic and unconscious.

Now, the transcribing of Dictaphone dictation. Your operator snaps on the switch when she begins her day's work. She slips your dictated cylinder on her Dictaphone, throws down the reproducer-lever, hangs the hearing tubes lightly in her ears, presses the foot control, listens to your first few words and begins typewriting. When the dictation goes too fast for her, she releases the foot control until she catches up. And that is all. Except that she

WORKING WITH SPEED AND ACCURACY IN THE NEW WAY

quickly finds that the mechanical processes have become wholly automatic and unconscious.

For service in the bank, and for the banker individually, it would seem that the Dictaphone is destined to come into favor. In an institution where details and accuracy are such important factors, the Dictaphone meets the requirements, for it never guesses at anything. It is exactness carried to the last degree. And accuracy, too. Anything that is dictated to the Dictaphone is typewritten that way. Or if it isn't, you can very easily check it up with your dictated cylinder for the record, the actual words of what you said, is there engraved on the cylinder.

Book Reviews

Uncle Sam, Banker: 1910-1940. By James A. Fulton. McKeesport, Pa.: Hutchison & Broadbent.

THIS is a forward look to the day when the present tendency toward Government banking shall have culminated in the practical taking over of all bank deposits by a public bank, owned and operated by the Federal government. This bank will make loans at a uniform rate of two per cent., the profits on these loans to go into the Treasury in lieu of Federal taxes now paid. The ordinary banks will be prohibited from receiving deposits, but may still lend their capital. The Public Bank is to print a volume of legal-tender notes equal to its deposits and thus be in a position to pay deposits on demand.

These proposals may seem far fetched; but, as the author points out, they are but a logical development of the postal savings bank and the Federal Reserve Banks. The author (who personifies himself as "Uncle Sam") says (page 63):

"The Postal Bank was simply a venture of our own and upon our own responsibility. But the Federal Reserve Banks were based upon capital stock which I arbitrarily forced the banks to contribute, and their central management was by a board appointed by myself. Even though I was doing it for the general welfare, and for the welfare of most of the banks, it was possibly a little high-handed to walk into every bank, pick up a bundle of their money regardless of their own views, and use it to open up another bank.

"The Postal Bank was a recognition of the right to get into the banking business on my own hook, but the Federal Reserve Act in a way added insult to injury by assuming the power of making the existing banks furnish the working capital for another bank, under penalty of being practically forced from the banking field."

Some bankers may be disposed to regard the proposals above mentioned as chimerical, but are they not really in line with many of the arguments put forward at the time the Federal Reserve Act was pending? Do you not remember the high authorities who declared that the Government had set credit free from the bankers? How did they do it? Why, by having "Uncle Sam" get deeper into the banking business. And that is all that Mr. Fulton proposes. His arguments for low interest rates sound exactly like what Comptroller Williams said only a few weeks ago in his address before the Kentucky Bankers' Association.

Those who believe in the present money and banking system cannot, of course, agree with Mr. Fulton's theories. But they will find his book extremely

interesting, and apparently representing a very strong tendency in the public mind. Bankers ought to read this book in order to get an idea of what some people think about the banking business, and perhaps the author's view is more common than most bankers realize. The arguments and principles presented cannot be approved, but they are very clearly and plausibly stated.

The Federal Reserve Act provides for the regulation of the volume of currency, and partially of credit also, by the Federal Government. Will the next step be a Federal Bank that will monopolize the country's banking business? We seem to be in for Government ships. Will the next radical departure be Government banks?

THE CITY: ITS FINANCE, JULY, 1914, TO JULY, 1915, AND AFTER. By H. C. Sonne. London: Effingham Wilson.

ALL who are observing the progress of the Great European conflict well understand that its financial history is of great importance. Some day the complete story will be written, but that can not be done, of course, until after the war ends and its record of ruin carefully examined. It is possible, however, to set forth what has been done already, and this Mr. Sonne does. "The City" deals with the financial expedients employed in London on the outbreak of the great war and subsequently up to July of 1915.

The outbreak of the war found the financial machinery of London unprepared to meet the extraordinary demands so suddenly thrust upon it. Mr. Sonne enumerates and describes the various expedients employed, and without criticising either the Government or the bankers, he raises questions for later discussion as to the wisdom of some of the measure, such as the moratorium and the issue of Government paper. He pays a strong tribute to the admirable manner in which the Government and the banks coöperated in extricating the country from an extremely perplexing situation. He discusses at length the question of London's future position as the world's money centre and frankly recognizes the possibility that New York may be in a position, as a result of the war, to contest very vigorously for that prize.

The author of "The City" recommends that a properly constituted committee be formed to study present and future financial problems so as to assure the wisest possible treatment of them.

As intimated above, the past year and a half has been a period of extraordinary financial events, and their history is of exceptional interest to bankers and financial students. Mr. Sonne has set down a record of some of these events that is of great value as financial history and of practical worth to those who may be called on at any time to encounter experiences similar to those of the banks and people of England since July, 1914.

A HISTORY OF CURRENCY IN THE UNITED STATES; with a brief description of the currency systems of all commercial nations. By A. Barton Hepburn, LL.D. New York: The Macmillan Co. (Price, $2.50.)

LONG years of experience in banking affairs, as an active executive of large banks, and as Superintendent of the Banking Department of the State of New York and Comptroller of the Currency, have exceptionally qualified the author of this volume for the work he has undertaken—to place before the public all the essential facts as to currency coinage and banking from the country's earliest history to the adoption of the Federal Reserve Act, together with the indispensable political history connected therewith.

By combining with the banking history some of the related political history, Mr. Hepburn has at once made his treatise both more interesting and more valuable. In this country banking and currency legislation has been modified to

a great extent by the attitude of political parties, and an accurate chronicle of our financial experiences must take due note of this fact.

A careful reading of this volume shows that the author has admirably succeeded in his attempt to present a complete statement of the banking and currency experiences of the United States, and this book will undoubtedly take rank as an authoritative treatment on these matters. While it is a history rather than a commentary, Mr. Hepburn occasionally records his own opinions, and always in a way to clarify the principle involved.

The record of banking and financial events is brought up to the present, including a number of the expedients adopted since the outbreak of the European war.

Investors and Money Makers. By F. W. Taussig, Professor of Economics in Harvard University. New York: The Macmillan Co.

THIS volume is made up of the substance of lectures delivered at Brown University in connection with the celebration of the 150th anniversary of the University's foundation. The theme of the book consists of the relations of human instincts to man's economic doings. The part of the book relating to the psychology of money-making is of especial interest. Professor Taussig discusses the part played in money-making by the instinct of contrivance and construction, acquisition or accumulation, domination, emulation, and sympathy, altruism and devotion. He ascribes to domination—the love of power—and to emulation a large share of the desire to "make money," but notes that sympathy and the desire to be of service powerfully motive the activities of mankind.

Foreign Exchange and Foreign Bills in Theory and in Practice. By William F. Spalding. New York: Sir Isaac Pitman & Sons. (Price, $2.00 net.)

THESE are times when the foreign exchanges have special interest for bankers, manufacturers and merchants. Mr. Spalding, who is a certified associate of the Institute of Bankers, London, has aimed in this treatise to pay particular attention to foreign bills, and to intersperse practical transactions with theory and principles. One of the very interesting chapters is that on "The Money Markets of the World and the Great War."

This volume comes at an opportune time and affords a helpful guide to a better understanding of the exchange problem.

Voting Trusts: A Chapter in Recent Corporate History. By Henry A. Cushing. New York: The Macmillan Co. (Price, $1.50.)

WITH the information contained in this volume, one may gain a clearer knowledge of the voting trust as an instrument of corporation finance than has heretofore been possible. It gives the early history of voting trusts and the details of their more recent development. The text is divided into three main divisions—the significance, the contents and the law of voting trusts. It is a treatise that will be found valuable to investors, business men, trust company officials and lawyers.

Foreign Banking and Finance

European

THE PART OF BRITISH CREDIT IN THE WAR

COMMENTING on England's position as banker to the Allies, the "London Economist" says:

"It is in no merely metaphorical sense that Great Britain is spoken of as banker to the Allies, and it is in no merely metaphorical sense that money and credit are described as the sinews of war. This war, far more than any other war in the history of the world, depends upon finance in the fullest sense, and when Lord Kitchener placed money alongside of men and munitions he was absolutely right. The machinery of war is prodigiously costly, and men have been mobilized in nations. All this has to be supported by those who remain. It is a war of endurance. Without money we can have neither men nor munitions, and the term money includes, of course, credit. Perhaps the most extraordinary fact about this war is that we have already borrowed at home in loans and treasury bills over eleven hundred millions sterling. Moreover, the governments of our self-governing colonies have raised considerable sums by domestic loans, and we have also borrowed fifty millions in the United States. Now the banking system which has enabled us to draw from the United Kingdom and from all parts of the British Empire these unexampled sums without abandoning the gold standard and without issuing inconvertible paper currency is a creation not of the Government but of voluntary individual effort. To assign the main credit for this wonderful achievement to the treasury or the Bank of England is mere nonsense. If the treasury or the Bank of England had attempted to do anything of the kind in any other country in the world they would have merely courted complete and immediate failure. Germany has been able to finance the war on an inconvertible paper basis, because her commerce has been cut down, and she has been living on her own resources. But we are living on trade, not on privation. The whole credit, the whole wealth, and the whole commercial position of the United Kingdom as it stood at the commencement of this war constituted a marvelous fabric, patiently built up by the industry and enterprise of manufacturers, merchants, shipbuilders, bankers, and others who relied upon themselves, and, stimulated by emulation and competition, comparatively unimpeded by Government, unsupported and unembarrassed by tariffs, created the greatest money power in the world, made London the centre of the world's exchanges and universal provider of credit for traders of all nationalities in all parts of the world.

"All this accumulated power, all these resources of money and credit, were thrown by the British Government in August, 1914, into the service of the Allies. In fact, the financial story of

the war so far has been the story of British resources being applied without stint or limit to the prosecution of war in all parts of the world, by sea and by land, and to the pecuniary support of France, Russia, Belgium, Servia, and Italy. Considering that out of every £5 spent since the war began at least £4 have been borrowed, the importance of credit ought to be clearly realized by every statesman and by every one who professes to form an opinion on policy. Our credit is now almost everything; it comes next to the navy, and the two cannot be dissociated; for if either suffer our food supplies would be endangered. In one sense credit is at the mercy of the Government and of the treasury, for a great false step of policy or continuance in a false course would bring disaster. The responsibility of the Prime Minister and of the Chancellor of the Exchequer and of the Cabinet as a whole is prodigious. But there is also a responsibility upon the banks of the United Kingdom, of our self-governing colonies and of India. Every one of our banks, great and small, is a self-governing element in this great voluntary mechanism, upon which the successful conduct of the war, the maintenance of our industry and commerce depend. The bankers have but to realize their importance and then they will be ready to act and to advise once more as occasion requires. We hope that both they and the treasury will fully realize our obligations and the necessity for maintaining at all hazards the convertibility of the currency and the freedom of gold. For a hoarded gold reserve, however large, has been proved by this war, if it was not proved before, to be no safeguard at all against the depreciation of a paper currency. In one sense gold is the basis of credit, in another credibility.. But if a nation outruns the constable its case will resemble that of the individual who spends more than he can find out of income or credit. Therefore, whatever else we do, we must maintain our financial equilibrium. With that and the command of the sea, we cannot be defeated."

ANNUAL REPORT OF THE ROYAL BANK OF SCOTLAND

THE annual report of the court of directors of the Royal Bank of Scotland was submitted to the court of proprietors on November 24, 1915. Net profits of the year after providing for all bad and doubtful debts amounted to £293,731. The midsummer dividend at the rate of ten per cent. per annum, less income tax, amounted to £89,479, and it was proposed to pay a similar dividend of £87,395 at Christmas. After writing off expenditure on bank buildings and heritable property and applying £270,000 towards depreciation on stocks, undivided profits at credit of rest amounted to £800,986. Deposits with accrued interest on October 9, 1915, were £19,144,394, and total assets amounted to £24,695,787.

ANNUAL REPORT OF THE COMMERCIAL BANK OF SCOTLAND

THE annual report of the court of ordinary directors to the shareholders of the Commercial Bank of Scotland shows that the net profits for the year ending October 30, 1915, were £240,923. In July, 1915, a half year's

dividend at the rate of sixteen per cent. per annum was paid and amounted to £80,000. In their report the directors recommended that a dividend for the second half-year amounting to £80,000 also be paid. It was also recommended that £100,000 be credited to the bank's investments as a further general provision for depreciation, and that £5,000 be applied in reduction of the cost of bank premises, leaving £25,731 to be carried forward to the next year's account.

Total assets on November 1, 1915, were £23,358,859 and total deposits were £19,036,911. The directors pointed out in their report that the large increase in the amount invested in British Government securities was brought about by subscriptions to the loans raised to finance the war. The directors also announced that with a view to meeting the requirements at the London branch the adjoining house in Lombard street had been purchased. Negotiations for purchase had been in progress for a considerable time.

ALLOTMENT OF $50,000,000 BRITISH BANKING LOAN

AMERICAN bankers have negotiated a $50,000,000 loan with eight London banks for a period of six months at 4½ per cent. interest. Four of these banks have obligated themselves to the extent of $7,500,000 each and four to the extent of $5,000,000 each. The list follows:

Lloyds Bank	$7,500,000
London City & Midland	7,500,000
London County & Westminster	7,500,000
Union of London & Smith's	7,500,000
Barclay & Co., Ltd	5,000,000
Parr's Bank	5,000,000
National Provincial of England	5,000,000
London Joint Stock Bank	5,000,000

This loan was made through a committee of which Frank A. Vanderlip, president of the National City Bank of New York, is chairman. This committee will issue participation certificates to banks in the United States which desire to share in the transaction. Participation in the loan includes the obligations of all eight London banks in accordance with the ratio of the part taken by these banks.

As soon as the loan transaction is completed the money will be turned over that bankers have now got their funds in a terminable security, and that so far as British Government stock is concerned, there should now be no questo the correspondents of the eight London banks, who are expected to redeposit the proceeds with banks under an arrangement by which interest will be paid on balances.

Eleven million pounds sterling of British Government bonds have been deposited by the eight London banks with the Bank of England as security for the loan. The London committee consists of Lord Cunliffe, governor of the Bank of England; Sir Felix Schuster, gov-

ernor of the Union of London & Smith's Bank, and Sir Edward Holden, managing director of the London City & Midland Bank.

Latin-America

REPORT ON BANKING FACILITIES

THE importance of banking facilities in South America as an adjunct to the development of our commerce with the Latin-American republics led the Department of Commerce to authorize an inquiry by William H. Lough of New York. An extended report by him based on six months of investigation has been issued in book form by the department under the title "Banking Opportunities in South America."

British banks, according to Mr. Lough's report, have taken the lead in financing the development of the chief South American countries. Five banks with an aggregate capital and surplus of $60,000,000 and total deposits and credits in accounts current of over a quarter of a billion dollars, have the bulk of the business. The largest and most important British institution has paid dividends of twenty per cent. annually for many years. This institution is the London and River Plate Bank, which was established in 1862, and has now a paid-up capital of $9,000,000, with about thirty branches, including subsidiary banks in Brazil, Chile, and Peru. The other British banks, while paying smaller dividends, have all established themselves firmly.

German interests combined, and there are four banks. These have developed largely as a part of the German plan of assisting commercial development, although Mr. Lough says, so far as South America is concerned, there is no evidence that the German Government has lent its active assistance to the upbuilding of these institutions. They have rather been the product of German business organization, by which each of several groups of industries centres around its own particular bank. In furthering the interests of these industries the banks have found it desirable to establish themselves in South America.

The only branch of an American institution on the ground, that of the National City Bank of New York, has not been established long enough, Mr. Lough says, to permit any extended review of its activities. Mr. Lough's report indicates that there is room for many other branches of American banks in South America, but it is evident that these must be established and managed along right lines if they expect to become successful. The best present open-

ing seems to be on the west coast of Chile and Peru.

It is suggested that American bankers and other financial men might find it worth while to unite to establish in South America either an independent American bank or a branch bank of institutions in this country. The report discusses every phase of the problem of establishing such American institutions.

MEXICO TO HAVE FEDERAL BANK

THE "New York Sun" states that it has been learned on reliable authority that the Administration, responding to diplomatic representations, has decided to show leniency toward the State banks whose concessions were declared forfeited.

These institutions are capitalized almost exclusively by foreigners and will be allowed every opportunity to satisfy the authorities regarding their ability to guarantee outstanding notes. They will be invited by the Administration to enter with the National Bank and the Bank of London and Mexico to form a federal bank of issue. Minister Nieto will confer with Carranza on this matter. He says the commission appointed to acquire the Laguna region cotton crop, according to Carranza's decree, acquired 6,000,000 pesos' worth. The commission is now studying means to acquire the rest.

The cotton shortly will be distributed among Mexican manufacturers at cost price, supplying a shortage which caused factories to close. The first cotton trains have already arrived.

Antonio Manero, a member of the bank investigators, said that the Administration will endeavor to get all banks to unite with the federal bank, using their combined coin and metallic bar surplus, to guarantee notes. He thinks combined guarantees total more than $100,000,000. He says that the federal bank will be established as soon as Carranza and Nieto confer in San Luis Potosi.

COMMERCIAL FAILURES IN ARGENTINA

ARGENTINE commercial failures by months for 1915, compared with corresponding months of 1914, show an encouraging decrease, especially for August, although the 1914 figures for that month included the failure of the French Bank (Banco Frances y Rio de la Plata). This bank has since been reorganized and is again operating in a normal way, paying off its creditors and depositors in quarterly quotas.

The comments of the Buenos Aires

Herald on the August showing are of interest:

There is a natural feeling of satisfaction in commercial circles at the diminution in the return of failures and settlements for August. Compared with this time last year the difference is marked, liabilities then figuring at $36,-814,875 against the $5,008,848 of the recent returns; but it ought not to be forgotten that part of the $36,000,000 was made up of the liabilities of the French Bank (some $29,000,000), together with two or three other big firms totaling at least $2,000,000. Thus analyzed, the improvement is not so great, but nevertheless the August figures are the second lowest for the current year.

Where the most hopeful signs are to be found are in the classified statements of the various debtors whose affairs are awaiting legal settlement. Trade in general, wholesale and retail, figures much lower down the list than it has done for several months, the chief proportion of the $5,000,000 aforementioned being chargeable to property owners, builders and bakers. The last item may at first appear strange, seeing that bread is always in demand, but their presence on the list for over $400,000 may probably be put down to the adoption of the "cash on delivery" system by the millers instead of the long credits formerly granted to the trade.

U. S. BANKS TO HELP FARMERS IN MEXICO

ARRANGEMENTS have been completed for the establishment of a $10,000,000 credit in New York and New Orleans for hemp growers of the State of Yucatan, Mexico, who sell their product through a commission appointed by Governor Alvarado of the Mexican State. Money will be advanced by the National City Bank and Chase National Bank of New York and by the Interstate Trust and Banking Company and Whitney Central Bank of New Orleans on bills of lading or American warehouse receipts issued on henequen or sisal grass delivered in good condition to the Tropical Commission Company.

GOLD RESERVE OF URUGUAYAN BANKS

ACCORDING to the monthly statement the average gold reserve of the banks of Uruguay in August was, in United States currency: Bank of the Republic, $16,010,007; private banks, $4,635,660; total $20,645,667, against a total of $20,241,691 in July. Moreover, the Bank of the Republic held in custody on the account of the private banks the sum of $1,853,186 (in July $1,911,587).

Banking and Financial Notes

EASTERN STATES

New York City

—In addition to the election of Edward Holbrook as vice-president, succeeding Joseph W. Harriman, resigned, noted on another page, the Merchants National Bank of New York has appointed Frank L. Hilton first assistant cashier. George S. Talbot has also been made an assistant cashier in addition to Mr. Hilton and Owen E. Paynter.

—The Federal Reserve Bank will remove early this month from its present offices in the Harvey Fisk & Sons building, No. 62 Cedar street, to the Pine and Nassau streets corner of the new Equitable building, where the vault space and the office accommodation is larger.

—At a recent meeting of the board of directors of the United States Mortgage and Trust Company, Donald G. Geddes, of the firm of Clark, Dodge & Co., was elected a director to fill a vacancy.

—Roger P. Kavanagh, who was recently appointed manager of the new uptown office of the Metropolitan Trust Company, is well known in the banking community. He resigned his position of

ROGER P. KAVANAGH

MANAGER NEW UPTOWN OFFICE OF THE METROPOLITAN TRUST COMPANY, NEW YORK

examiner in the New York State Banking Department to become associated with the Metropolitan Trust Company and will assume the management of the new uptown office upon the completion of the new building at 716 Fifth avenue.

Mr. Kavanagh was appointed an examiner on June 1, 1908, by the then superintendent of banks, Hon. Clark Williams. Prior to that time he was for many years connected with the Fifth Avenue Bank of New York. During the term of Superintendent of Banks George C. Van Tuyl, Jr., he commenced to supervise the examinations of the large institutions located in the metropolitan district, which includes the Greater City of New York. He was engaged in this branch of the service up to the time of his resignation and is well known for his work in this connection.

Mr. Kavanagh's long experience in the Fifth avenue field particularly equips him for the character of service which it is the intention of the Metropolitan Trust Company to render to the patrons of its uptown office. Besides his long practical experience in the Fifth Avenue Bank, which was considerably broadened by his experience in the New York State Banking Department, he has always taken a deep interest in the educational side of banking questions. He has been active in the affairs of the American Institute of Banking since its inception, having been secretary for two years and president for one year of the New York chapter. Mr. Kavanagh's position in the State Banking Department was an important one and he only left that department because the position offered to him by the Metropolitan Trust Company offered a broader field for his activities.

With the opening of the new Fifth avenue branch the Metropolitan Trust Company gives evidence of its continued development under the management of George C. Van Tuyl, Jr. The deposits of that institution at the beginning of his presidency were $20,000,000 and at the present time amount to $55,000,000, or an increase of $35,000,000. The figures published showing its condition in connection with the recent call of the State Banking Department showed that its deposits during the twelve months had increased 100 per cent.

—The board of directors of the Guaranty Trust Company of New York has declared the regular quarterly divi-

dend of six per cent. and an extra dividend of two per cent., payable December 31 to stockholders of record December 22.

Carl J. Schmidlapp
RECENTLY ELECTED VICE-PRESIDENT CHASE NATIONAL BANK

—At a recent meeting of the Board of Directors of the Chase National Bank, Carl J. Schmidlapp was elected a vice-president. For the past six years Mr. Schmidlapp has been connected with the Bankers Trust Co. of New York, and before that he was connected with the First National Bank of Cincinnati, Ohio.

—It was announced on December 16 by Seward Prosser, president of the Bankers Trust Company, that William C. Poillon had resigned as vice-president of the company, to become a general partner in the banking firm of Messrs. Tucker, Anthony & Co., of this city and Boston.

Mr. Poillon commenced his business career in 1889 as an employee of the Mercantile Trust Company, and after filling various positions was elected president of that company in January, 1911. At the time of the merger of the Mercantile Trust Company with the Bankers Trust Company in August, 1911, Mr. Poillon was elected a vice-

president of the latter company, which office he has held to the present time.

—The Bankers Trust Company has been appointed bond registrar for the issue of $4\frac{1}{2}$ per cent. bonds of the Anglo-French loan into which the $500,000,000 of five per cent. bonds are convertible. Under the agreement just completed with the representatives of the British and French finance ministries, the trust company's services will include receiving and safeguarding the original issue of $4\frac{1}{2}$ per cent. bonds in both coupon and registered form; delivering $4\frac{1}{2}$ per cent. bonds in exchange for the five per cent. bonds; registering as to principal the coupon $4\frac{1}{2}$ per cent. bonds and transferring them; transferring the fully registered $4\frac{1}{2}$ per cent. bonds; exchanging coupon bonds for fully registered bonds and vice versa; exchanging registered or coupon bonds of one denomination for those of another; and keeping records of the issue of all $4\frac{1}{2}$ per cent. bonds.

No charge will be made to the public for any exchange of 5 per cent. bonds into $4\frac{1}{2}$ per cent. bonds.

—At the regular semi-monthly meeting of the Forum Section of New York Chapter, American Institute of Banking, on Wednesday evening, December 1, the subject for discussion was "The Federal Reserve Banks and Our Gold Reserve." An able address on this subject was delivered by John E. Rovensky assistant cashier of the National Bank of Commerce of New York.

—At a recent meeting of the board of directors of the American Exchange National Bank the resignation of Row-

land G. Hazard as a director of that institution was accepted with much regret. Mr. Hazard had been a director since April 11, 1910. As he is a director of several Providence institutions and makes his home at Peace Dale, R. I., Mr. Hazard has complied with the provisions of the Clayton Act, in order to be able to retain his directorship in the Rhode Island institutions. He will be succeeded on the board of the American Exchange National by Stephen B. Fleming. The latter is president of the International Agricultural Corporation and is allied with many large and substantial undertakings.

Philadelphia

—So that the receivership of the Chestnut Street National Bank and its affairs under the supervision of the court might be wound up, Howard E. Young, substitute receiver, has obtained from Judge Dickinson in the United States District Court permission to offer for sale the assets that remain in his hands.

The bank was placed in the hands of George H. Earle as receiver in 1899. Mr. Earle served in that capacity until March 23, 1908, and upon his resignation Mr. Young was appointed receiver by the then Comptroller of the Currency William B. Ridgely. The affairs of the bank are now in such shape as to permit the management of the receivership to close, excepting the disposal of certain assets of doubtful value.

—Under the heading "1916—?" President C. S. Calwell of the Corn Exchange National Bank makes the following interesting statement in the December 22, 1915, issue of "The Advance," the monthly publication of the Corn Exchange:

"One year has changed our foreign trade balances from $500,000,000 on

the debit side of the sheet to three or four times this amount to our credit.

"What will America do with this huge sum? Will it be used as a basis for credit for the enlargement of our foreign trade in building and further equipping railroads, power plants, public utilities and the general developing of our resources?

"It depends entirely upon our legislators whether we shall enter upon a period of the greatest advancement this country has ever seen or drift along under shortened sail.

"It is our earnest wish that nineteen hundred and sixteen will bring a better understanding between legislators and business men that both may thereby benefit, and the whole country enjoy its full measure of prosperity."

NEW ENGLAND

Boston

—The Beacon Trust Co. in a statement of condition as of Nov. 1, 1915, shows total deposits of $12,840,165.44. With capital of $600,000, the surplus and profits have increased to $975,956,52, and the total assets stood at that date at $14,416,121.96.

—The accumulation of funds in the banks the last year has not been looked on with the highest degree of pleasure by bankers says the Boston Herald. The income of money is greater in times of scarcity than under plethoric conditions. Yet this very accumulation has put Boston on the financial map as the possessor of three "hundred-million-dollar-banks." Time was, not so long ago, that our city boasted but one such institution. Even then, when deposits were at low ebb, they often fell considerably under that figure. But the current totals of deposits give those institutions a prestige of which Presidents Gaston, Wing and Stockton may well be proud.

—The Colonial National Bank of Hartford, Conn., opened for business Nov. 8. Gen. Lucius A. Barbour is president, Edward C. Frisbie, vice-president; Myron A. Andrews, vice-president and cashier, and F. S. Flagg assistant cashier, all having been formerly connected with the Charter Oak National Bank, which went into liquidation.

—At the date of the Nov. 10 call of the comptroller the Springfield (Mass.) National Bank had demand deposits of $4,356,265.34 and time deposits of $1,068,784.67, with total assets of $7,298,312.22.

WESTERN STATES

Chicago

—Speaking of conditions in the West, the National City Bank says in a recent trade letter:

"The West is about the brightest spot in the country, for an immense volume of business is being done with the movement spreading to virtually all industries. The primary market movement of gains is surpassing all records and the car shortage on many lines is becoming acute. In many localities there is considerable complaint about the condition of corn, and farmers are selling the best corn at very good prices. Advices from various sections tell of reduced acreage for new winter wheat, but it is impossible to say yet what the real condition is. Most farming communities are enjoying a high degree of prosperity which is likely to continue for some time to come. The country merchant is making large purchases in this market to supply the demand for the sort of merchandise which ordinarily moves as soon as prosperity becomes prevalent in the crop districts."

Kansas City, Mo.

—The Drovers National Bank has leased the property at the stock yards

on the southeast corner of Sixteenth and Genesee streets for forty years at an annual rental of $12,000. After the building is remodeled the bank will occupy all of the first floor.

St. Louis

[*By a Special Correspondent*]

—Deposits of the National Bank of Commerce in St. Louis, as reported to the Comptroller December 31, 1915, were $46,000,000 as against $43,753,798.52 at the time of the November 10th call. Total resources increased from $64,964,891.77 to $67,556,408.50.

—The Missouri Pacific R. R. earned three and a quarter million dollars in October, which was better than any previous October in three years, and in the month of November the earnings were greater than for any other month in the history of the road, being $4,861,000.

—The Federal Reserve Bank has now moved into its new quarters, formerly called the New National Bank of Commerce Building, but now styled The Federal Reserve Building. The main banking room is on the second floor and is one of the most beautiful rooms in the city. The finishing is all marble and the general arrangement is ideal. The location at Broadway and Pine is another valuable feature and will serve to keep the business section of the city intact.

—D. D. Walker, Jr., of the firm of Ely Walker Drygoods Company, one of

the largest and most prosperous of St. Louis wholesale drygoods houses, is announced as a director in the State National Bank.

—St. Louis banks showed an increase in deposits from September 2 to November 10 of over $14,000,000. The gain since October 31, 1914, is still more marked, being in excess of $40,000,000, and the gain in exchange items and cash is in excess of $41,000,000. The loans and discounts are not as great as shown a year ago.

—Messages from distinguished bankers in different cities, flashed upon a screen, were a feature of the annual banquet of the Bankers Club, held at the St. Louis Club on December 21. It was called a "speechless dinner," and proved to be one of the most novel banquets ever given in St. Louis.

The messages had come to Mr. Randolph, president of the Bankers' Club, and chairman of the board, National Bank of Commerce, in letters and telegrams from A. B. Hepburn, George M. Reynolds, Richard Delafield, James B. Forgan, A. H. Wiggin, F. O. Wetmore, William Woodward, F. A. Vanderlip, Comptroller of the Currency John Skelton Williams, and Secretary of the Treasury William G. McAdoo.

There were fictitious messages from

local bankers, which evoked a great deal of laughter. There were also several reels of humorous films.

In the annual election George T. Riddle, president of the Franklin Bank, was made president of the club. F. O. Watts, president of the Third National Bank, was advanced to Mr. Riddle's place as first vice-president of the club, and N. A. McMillan, president of the St. Louis Union Trust Company, was elected second vice-president.

A. Orville Wilson, vice-president of the State National Bank, was re-elected treasurer, and A. C. White, manager of the St. Louis Clearing-House Association, was re-elected secretary. The two members who, with the officers, constitute the executive committee, are: August E. Booker, cashier of the Manchester Bank, and J. S. Calfee, cashier of the Mechanics-American National Bank.

St. Paul

—The Merchants Trust and Savings Bank has opened for business in handsome quarters on the ground floor of the Merchants Bank building, Fourth and Robert streets. Since its organization it has had quarters with the Merchants National Bank. Activities of the bank include trusteeships, a savings department, investments and loans on city and farm property.

Detroit

—Announcement was made recently that the property at the corner of Fort and Shelby streets had been sold to James Couzens and the National Bank of Commerce. The bank has bought that portion of the property immediately adjoining the building of the Peninsula State Bank on the west and having a frontage of fifty feet. On this site a building will be erected for the bank's exclusive use.

This step indicates a determination

on the part of the National Bank of Commerce to make adequate provision for its greatly enlarged business—for that the bank is growing very rapidly may be seen from the folowing statement of deposits on the dates named:

June 1, 1907 (opening day)...	$837,000.00
June 1, 1910..................	5,992,000.00
June 1, 1913..................	10,753,000.00
Nov. 10, 1915.................	17,990,000.00

On the date last named the capital was $1,000,000; surplus fund, $500,000; undivided profits, $288,594, and total resources, $20,211,722.50.

This record, made in a little over eight years, does not represent any absorption or consolidation, but is the result of the bank's own growth, reflecting in part the industrial, commercial and financial development of Detroit and in part also the very capable management of the bank by President Richard P. Joy.

Following are the officers and directors of the National Bank of Commerce:

Officers—Richard P. Joy, president; William P. Hamilton, vice-president; Henry H. Sanger, vice-president and cashier; Charles R. Talbot, vice-president; Samuel R. Kingston, vice-president; William H. Courtaine, assistant cashier; Charles N. Maycock, assistant cashier; William J. Brownell, auditor.

Directors—Frederick M. Alger, treasurer Alger, Smith & Co.; James Couzens, treasurer Ford Motor Co.; A. R. Demory, vice-president Timken-Detroit Axle Co.; Edwin Denby, treasurer Hupp Motor Car Co.; John F. Dodge, Dodge Bros.; Ralph M. Dyar, secretary Trussed Concrete Steel Co.; Edsel Ford, Ford Motor Co.; Andrew H. Green, Jr., manager Solvay Process Co.; William P. Hamilton, president Clinton Woolen Mfg. Co.; Charles H. Hodges, president Detroit Lubricator Co.; James Inglis, president American Blower Co.; Richard P. Joy, president; Joseph Mack, president Joseph Mack Printing House; Edward M. Mancourt, Western manager Consolidation Coal Co.; Edwin H. Nelson, president Nel-

son, Baker & Co.; John S. Newberry, president Detroit Steel Casting Co.; Murray W. Sales, president Murray W. Sales & Co.; Henry H. Sanger, vice-president and cashier; Benjamin S. Warren, president Hutchins Car Roofing Co.; Charles B. Warren, counsel for the bank.

At present the National Bank of Commerce is located in the Union Trust Co. building on Griswold street. The new building, on Fort street, will be advantageously situated in Detroit's new financial centre.

—The German-American Bank of Fort Madison, Iowa, has opened for business in its new quarters. The new banking rooms of this institution are said to be unsurpassed in southeastern Iowa and are fully equipped with all the appliances and furnishings of a modern financial institution.

—On December 1, 1915, the Citizens Savings & Trust Co. of Hope, Ark., opened for business as an affiliated institution with the Citizens National Bank. The new company occupies quarters in an addition recently built on the Citizens National Bank building. It has a paid-up capital of $50,000, and a surplus of $5,000. Officers are as follows: President, R. M. Lagrone; vice-president, R. M. Briant, and W. P. Ogee, secretary and treasurer.

—Pupils of the Rightsell School of Little Rock, Ark., recently visited the German National Bank to get an inside view of the practical working of a banking institution. The following letter written to Mr. W. A. Hicks, cashier of the bank, by the members of the class, testifies to the thoroughness with which the German National Bank co-operated in this very laudable scheme to educate school children in banking methods:

"We enjoyed the trip to your bank, Tuesday, very much. We learned a great deal more about banks than we

had known before because your explanations were so clear and thorough."

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—Secretary of the Treasury William G. McAdoo visited Richmond recently, and while here was the guest of John Skelton Williams, Comptroller of the Currency. Mr. McAdoo came to Richmond to hear first-hand reports from citizens relative to the selection of a site for a new postoffice building, and to see personally the various places suggested. He was given a cordial welcome by the bankers of the city, who turned out in full force in the Federal building to meet the distinguished visitor.

—Several Richmond financiers and bank officials are connected with the First National Bank of Hopewell, Va., which is expected to open its doors to the public in the near future. The Treasury Department in Washington has approved the application for organization.

Among the Richmond people interested in the new bank are Littleton Fitzgerald, Jr., capitalist; Oliver J. Sands, president American National Bank; T. S. Winston, capitalist and contractor; James Mullin, attorney, and R. H. Bruce, capitalist and treasurer Richmond, Rappahannock & Northern Railroad.

Hopewell is the town that has sprung up like magic in the past twelve months and is adjoining the great plant of the DuPont Powder Co., at City Point. The place has a population of about 20,000 people and is growing in size and population every day. The payroll of the DuPont company is said to be in excess of $1,500,000 a month.

—Frank V. Baldwin, who was recently made president of the Hudson

Trust Co. of New York, was for many years prominent in Richmond banking circles. He was born in Virginia and for a number of years was assistant cashier of the Commercial and Farmers National Bank of Baltimore. Lately he has been associated with the Mutual Alliance Trust Co. of New York. The many friends of Mr. Baldwin in Virginia are well pleased to hear of his advancement.

—The handling of municipal obligations by the Federal Reserve Banks is being frequently discussed by member banks in the Fifth (Richmond) District and in compliance with many requests, Governor Seay of the local reserve bank has issued a circular in which he calls attention to the provisions of the Reserve act which states that a Federal Reserve Bank can purchase from member banks warrants from any city which are properly endorsed by the member banks.

The prosperous condition of the Richmond Reserve Bank puts it in a position to help the member banks in handling city securities or any kind of commercial paper.

Houston

—The Bankers Trust Co. of Houston has recently organized a real estate department to handle the collection of rents and management of properties, as well as the buying and selling of real estate. This department will also be prepared to construct buildings, if necessary, for responsible concerns who require special quarters and will take long-time leases. E. H. Fleming has been appointed manager of the department, having had a wide experience in similar

work in Chicago as well as in Oklahoma and Texas.

Atlanta

—Robert F. Maddox, vice-president of the American National Bank, has been elected president of the Atlanta Clearing-house association for the ensuing year.

The other officers chosen were: Vice-president, W. J. Blalock, president of

Robert F. Maddox
RECENTLY ELECTED PRESIDENT OF THE ATLANTA CLEARING-HOUSE ASSOCIATION

the Fulton National Bank; treasurer, Thomas C. Erwin, vice-president of the Third National Bank, and secretary, Darwin G. Jones.

Mr. Maddox has been engaged in the banking business in Atlanta for the past quarter of a century, having entered the employ of the Maddox-Rucker Banking Co. in 1890 as collector, and having filled every position in the bank up to the vice-presidency, which position he occupied with the Maddox-Rucker Banking Co., in 1908, when it was converted into the American National Bank.

Mr. Maddox has always taken an active interest in civic and commercial affairs, in connection with which he has occupied many positions of honor and distinction. He served as a member of the board of commissioners of Fulton county in 1907 and 1908, resigning when he was elected mayor of Atlanta, a position he held with distinction during 1909 and 1910.

He has also served as president of the Atlanta Chamber of Commerce, as a member of the Chamber of Commerce of the United States, and as president of the Georgia Bankers Association. He

is a trustee of Vanderbilt University and a director of the Seaboard Air Line Railway, of the Georgia Railway & Power Co., and of the trust company of Georgia, and also of other well-known corporations.

Savannah

—William F. McCauley, president of the Savannah Bank & Trust Co., has been elected president of the Savannah Clearing Association, succeeding Fred W. Clarke, who declined to stand for re-election.

Joseph W. Heffernan has been elected vice-president, and Walter F. Hogan being retained in his capacity of secretary and treasurer. The following will compose the board of management: Gordon L. Groover, Jacob S. Collins and Leopold Adler.

PACIFIC STATES

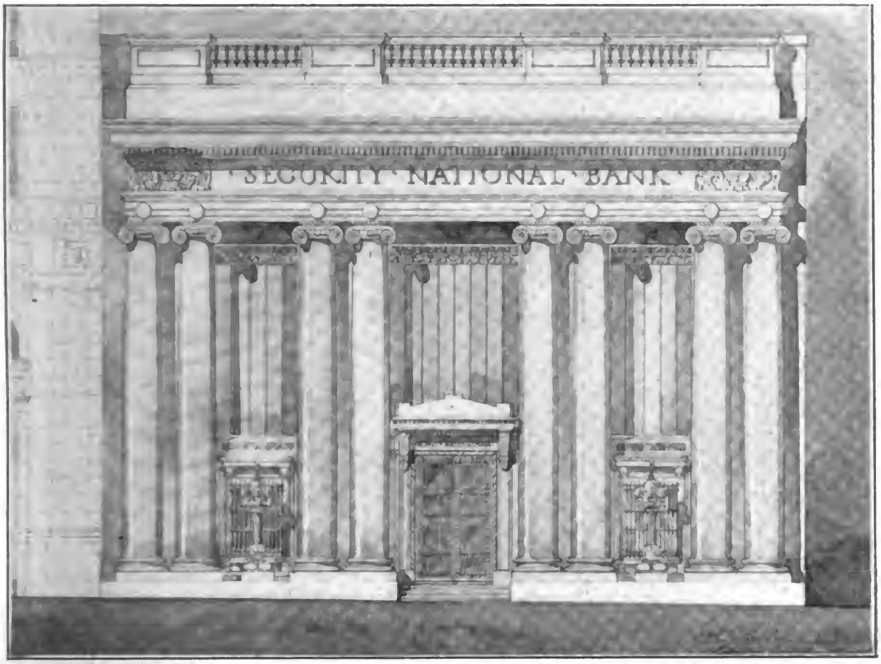
Los Angeles

—The newly-elected cashier of the Security Natonal Bank, Walter A. Ellis, won his promotion through various positions in the Southern California Savings Bank, which was merged with the Security Trust and Savings Bank in 1907, and in the latter institution, holding the place of trust officer at the time of his recent advancement. As is well known, the Security National Bank and the Security Trust and Savings Banks are closely-related institutions.

WALTER A. ELLIS
NEWLY-ELECTED CASHIER SECURITY NATIONAL BANK, LOS ANGELES

In electing Mr. Ellis cashier the bank has followed its usual custom of choosing officers from the staff.

Mr. Ellis besides being an experi-



THE PROPOSED NEW HOME OF THE SECURITY NATIONAL BANK OF LOS ANGELES

This handsome building which is to be erected shortly will be one of the most complete and modernly equipped bank buildings on the Pacific Coast

enced banker is a graduate of the Law Department of the University of Southern California and a member of the bar of this city.

Salt Lake City

—The Utah State National Bank of Salt Lake City has bought the building at First, South and Main streets from the Salt Lake Security and Trust Co., which has owned the property for a number of years. This building has long been the home of the former institution and will now be completely renovated, as the Utah State proposes to spend about $100,000 in remodeling its banking quarters.

Some time ago it was announced that the Salt Lake Security & Trust Co. would erect a skyscraper on the site, but with the sale of the property these plans will be dropped. The Salt Lake Security & Trust Co. already has one of the most complete banking houses in the West at 32 S. Main, and this will continue to be the home of this company.

—Bank clearings in Salt Lake City during 1915 are estimated as $347,343,545.74. In 1915, December was the largest month with clearings estimated as $40,000,000. February was the smallest with clearings of $21,439,541.87. Clearings have been steadily increasing since last September. During the past four years they have been as follows: 1914, $314,533,105.13; 1913, $333,477,644.26; 1912, $369,452,284.66; 1911, $334,136,955.21. By comparing these figures it will be seen that 1915 was the biggest year in bank clearings in Salt Lake City since 1912.

San Francisco

—In a recent financial letter the American National Bank of San Francisco says:

"The nine national banks of San Francisco reporting to the Comptroller under date of November 10, individually and collectively show remarkable gains during the past year in both deposits and cash, but a decrease in loans and discounts of over $6,000,000. These reports, while indicating excessive strength, and ability to provide for any and all demands of the community, are scarcely comforting to a stockholder seeking full returns on his investment.

"The figures for approximate dates for the years 1913, 1914 and 1915 are as follows:

	Oct. 21, 1913	Oct. 31, 1914	Nov. 10, 1915
Cash and Exchange	$63,003,232	$59,194,793	$105,674,032
Loans and Discounts	117,315,662	121,340,686	114,849,647
Deposits	152,669,027	153,320,750	196,207,789

—Speaking of the 1915 fruit crop, the Anglo & London Paris National Bank says in its December trade letter:

"While our fruit crops have been good, markets during the early part of the season were not very receptive, and upon the whole our fruit growers have had many more profitable seasons. A citrus crop approximating 48,000 carloads added to a large Florida crop was not easily disposed of under conditions as they existed during the main shipping season. The same may be said of our fresh deciduous fruits whose market was still further impaired by the very small pack of the canners who did not see their way, as conditions were, to make their usual pack. The federal "war tax" on wine was found virtually prohibitive of the production of sweet wines and greatly reduced the output of dry wines. Producers of wine grapes suffered heavy losses."

CANADIAN

—The annual report to the stockholders of the Bank of Toronto shows that net profits for the year ending November 30 were $663,074, making a total of $1,065,885 when added to the balance carried over from 1914. In 1915 dividends to the amount of $550,000 were paid. Other appropriations were made for the following purposes: War tax on circulation, $30,502; Officers' Pension Fund, $25,000; Patriotic Fund, $15,000; British Red Cross, $2,500; Belgian Relief Fund, $1,500; Toronto General Hospital, $2,000. After deducting all appropriations from net profits, a balance of $76,502 was carried forward to next year. Deposits of this bank on November 30, 1915, were $48,769,766 and total assets were $66,767,203.

—Commenting on the ninety-seventh annual report of the Quebec Bank submitted October 30, 1915, the "Quebec Chronicle" said editorially:

"The general statement of the Quebec Bank for the year ending October 30, which has been presented at the annual meeting, exhibits a condition of noteworthy strength. The bank's business has expanded materially during the year, the funds entrusted to it by the public being now just over seventeen million dollars, and just about a million more than last year. But the liquid assets held against these liabilities have increased by a million and a half, and now amount to over nine million dollars, or 52.9 per cent. of liabilities, against seven and a half million, or 47.1 per cent. in 1914. That the assets have been thoroughly tested out and include nothing that is not of sound banking quality is evidenced by the very large provision that has been made for "contingencies," $337,000 having been written off for that object, mainly by drawing upon the Rest Fund. A gratifying point is the large proportion of the liquid assets which is carried in actual cash; there is almost two million in specie and Dominion notes (nearly twice the usual showing), and another million in the promptly convertible items of notes and cheques of other banks.

"While the bank performs a notable public service, and at the same time conserves its own position, by keeping thus strong in the present difficult times, such a policy can only be pursued at a certain sacrifice of profits. The Quebec Bank has this year adopted the practice generally followed by other banks, of deducting business taxes before showing profits instead of exhibiting them in the profit-and-loss account. This year's profit of $233,420 therefore compares with $275,762 in 1914, or a decrease of 15.35 per cent., which is very moderate in the circumstances.

"The above mentioned provision for contingencies cannot be regarded as part of the year's business at all, and is therefore rightly provided for by drawing $308,750 from the Rest Account, which now stands at a round million dollars. This transfer obviously involves a considerable sacrifice on the

part of the shareholders, but it affords to the clients of the bank a most gratifying evidence of the management's courage and conservatism, qualities which are both essential for successful banking in times like the present. The reduction of $850,000 in current loans, is proportionate to the times, and represents rather the results of lessened activity in trade circles than of any pressure on clients.

"Altogether the 1915 statement reflects very great credit upon President John T. Ross and General Manager B. B. Stevenson for their policy during the most trying year in Canadian banking history. Naturally the citizens of Quebec take a special interest in this essentially local institution and will be gratified to learn that it has made such a fine showing during the past year."

—The forty-sixth annual statement of the Royal Bank of Canada under date of November 30, 1915, shows total deposits of $154,976,327 and total assets of $198,299,123. The profit and loss account follows:

Balance of Profit and Loss Account November 30, 1914.....	$614,062.25	
Profits for the year, after deducting charge of management and all other expenses, accrued interest on deposits, full provision for all bad and doubtful debts and rebate of interest on unmatured bills..........................	1,905,576.57	$2,519,638.82
Appropriated as follows:		
Dividends Nos. 110, 111, 112 and 113 at 12 per cent. per annum	$1,387,200.00	
Transferred to Officers' Pension Fund.....	100,000.00	
Written off Bank Premises Account.......	250,000.00	
War Tax on Bank Note Circulation........................	105,966.66	
Balance of Profit and Loss carried forward...............	676,472.16	$2,519,638.82

ated from this account and also two bonuses of one per cent., each amounting to $300,000. $1,000,000 was reserved against further depreciation in the value of securities held by the bank and a war tax on bank note circulation of $122,906 was written off. $80,000 was transferred to the pension fund and $5,000 was subscribed to the British Red Cross Society. $461,892 was carried forward to the credit of profit and loss account. Total deposits on November 30, 1915, were $194,523,078 and total assets were $250,421,840.

—The annual meeting of the Bank of Montreal, the financial statement of which was made public in November, was held in Montreal last month and was attended by a larger number of shareholders than for many years past.

H. V. Meredith, president of the bank, in moving the adoption of the financial statement, said: "All things considered, the trade of Canada is well maintained both as to volume and character. For some time before the outbreak of war a restraining hand was placed on speculative ventures which, in an era of prosperity, had run to dangerous excess, and we were as a consequence fairly well prepared to face the closing of the London money market. A temporary dislocation in many branches of trade followed. Reorganization in some cases were, and may yet be found necessary to adjust capitalization to earning power, the only logical course to be pursued when such conditions had to be dealt with.

"As the year progressed, the effect of

—The annual statement of the Canadian Bank of Commerce under date of November 30, 1915, shows net profits for the year after providing for all bad and doubtful debts of $2,352,035. In addition to this there was carried forward from the previous year a balance at credit of profit and loss account amounting to $1,117,763, making a total of $3,469,799 at credit of profit and loss account.

Dividends, at ten per cent. per annum, amounting to $1,500,000, was appropri-

the war on the trade of Canada proved less injurious than was expected; in fact, business conditions distinctly improved. Natural resources continued to be developed and their product to find ready and profitable sale, while many branches of manufacture have been employed to capacity in turning out munitions of war, the money value of which runs into scores of millions. Resulting employment of labor has been of almost incalculable advantage.

"It is estimated that the grain crops of Manitoba, Saskatchewan and Alberta have a market value to the producers of approximately $400,000,000, in the use of which we may anticipate not only the liquidation of much indebtedness, but stimulation of current trade. These truly remarkable results will, I think, have the effect of attracting a tide of immigration to our shores when the world is again at peace. The position of Canada is a highly favored one, with an assured future of growth, development and general prosperity."

Sir Frederick Williams Taylor said: "In summarizing my remarks a year ago, I expressed the opinion that Canada is standing the strain without collapse. This summing up of the situation still holds good. Strain is less than may have reasonably been expected, and we are encouraged to face the terrible situation ahead of us calmly because of the confidence that comes from having successfully surmounted the ordeals of the past twelve months. There is now a distinctly more hopeful feeling throughout the Dominion, and there is excellent ground for re-assurance in the material advantages that have resulted from the bountiful harvest.

"In any case we must economize in every way possible so that we may bear our full measure of responsibility during the war and be prepared for the taxation that must follow."

Russian Banks and the War

IN a short Russian pamphlet, says the "London Economist," Mr. N. B. Emeljanoff deals with two economic subjects of great importance to his country —(1) "the roots of dearness," and (2) "organization of victory." He attacks the Russian banking system, and especially the operations and tactics of the commercial banks. The questions raised in this pamphlet are certainly of general interest to Russia at the present moment, and would interest anybody who knew the language, but we believe that the author takes too sceptical a view of the detrimental influence of the Russian commercial banks on Russia's economic development. The fact that the Russian banks are to a very large extent controlled by foreign capital is evident, but it is not only German influence, for French capital and Paris banks are likewise an important controling group. Mr. Emeljanoff draws attention to the fact that at the present moment 4½ milliards of roubles are lying on account current at the various Russian banks. A very interesting figure in itself. Of course, the uncertainty of investments has helped to increase the account current deposits, but it is a known fact that in ordinary times the average Russian capitalist does not like to risk his money in investments, and prefers government securities or leaving his money on deposit with his bankers. With a little initiative on the part of the Russian capitalist the question of controlling Russia's banks and consequently her economic life, could be easily solved by itself. The proposal to give control of war supplies, etc., to private institutions and corporations has much to recommend it, but we are afraid that it will not find much encouragement with the Russian Government at the present moment.

Geo. M. Reynolds

PRESIDENT CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

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THE
BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SEVENTIETH YEAR FEBRUARY 1916 VOLUME XCII, NO. 2

Comptroller's Annual Report

FROM a summary of the Comptroller's Annual Report, sent out from the office of the Comptroller of the Currency, are obtained a few statements that may prove worthy of examination. For example:

"The report of the Comptroller of the Currency for 1915 shows an expansion and growth in the business of national banks during the first year since the inauguration of the Federal Reserve system which has broken all previous records."

By coupling the extraordinary growth of the national banks with the operations of the Federal Reserve system, the Comptroller evidently seeks to convey the thought that this growth was somehow promoted by the new system. It would be difficult to prove that. True, the growth of banks depends, to a considerable extent, upon their ability to make loans, for loans immediately appear in the shape of deposits; and it is also true that the Federal Reserve Act did expand the lending powers of the banks by diminishing reserve requirements and by promoting freer rediscount facilities; but the latter advantage has not been availed of by the banks to any considerable extent, and the former advantage is partially counterbalanced by a great lessening of the redepositing of reserves gradually taking place by transfer of reserve balances to the Federal Reserve banks. It is really difficult to see just how the Federal Reserve system has worked to the benefit of the banks or anybody else thus far, whatever may prove to be its advantages in the future—and it is only fair to say that the measure has not yet had an opportunity of demonstrating its usefulness. If the notes already issued by

the Federal Reserve banks were only partially secured by gold, and these notes had gone largely into the reserves of state banks, that would have inflated state bank loans, but would not have much affected national bank loans, unless the gold or legal tenders previously in the reserves of state banks had been absorbed by the national banks. In time this displacement of gold by the reserve notes may take place and it constitutes a possible element of dangerous inflation, but it does not seem a present danger nor even an imminent one. With something like $214,000,000 of Federal Reserve notes out, and over $200,000,000 of gold to secure them, there is no existing inflation from this source, whatever there may be in the future. With only some $14,000,000 of rediscounts as security for these notes, and the large gold reserve held against them, the inflationary element is too small to have much actual effect on the country's bank loans. Of course, no paper money of any kind ought to be available as bank reserves except such as represents one hundred per cent. of gold; but while this principle is violated by the Federal Reserve notes (which may not be used as reserves by national banks but may be so used by many state banks) this is not of great practical actual importance so long as the gold reserves behind the notes are as high as at present. In times of more urgent demand for money, the percentage of gold behind the notes will decrease, and their mischievous potentialities will increase. But probably the Federal Reserve notes have not yet added much to the growth of the national banks or the state banks either.

A tremendous increase in bank deposits is a less healthful sign than might be inferred on first thought. An enormous increase took place shortly after the 1893 panic, but it was a sign of business stagnation, not of activity. And that partially explains the increase last year, though it is by no means the principal reason for the large gain which the Comptroller reports.

The real reason for this phenomenal gain is not to be ascribed to the Federal Reserve system, however, which has been in operation too short a time to have much effect. The half-billion of gold gained approximately by the United States in the period under consideration would of itself afford the reserve against which at least two billions of fresh credits could be created; and while the mere possession of gold in excessive quantities by the banks does tend to expand bank loans, this tendency is accelerated or retarded

by business conditions. While some forms of industry have been stagnant, others have been active and have made heavy demands for bank accommodations; prices of securities have risen, speculation has been active, and furthermore we have lent more than one billion to foreign countries, which alone would probably enormously expand bank deposits.

Obviously all this does not alter the fact stated in the Comptroller's report, that bank deposits have enormously expanded in the last year, but does tend to show, it is believed, that this expansion was but little related to the inception and operation of the Federal Reserve system.

There is another curious juxtaposition of figures in this summary of the Comptroller's report, namely:

"On November 10, 1915, the national banks of New York city held for the credit of other banks and trust companies throughout the country a total of 1,067 million dollars.

"The total amount of money which the national banks of New York city were lending to other banks and trust companies throughout the country on the same date was 69 million dollars, so that the national banks of New York city held for the credit of other banks and trust companies nearly 1,000 million dollars more than the New York banks were lending to their correspondent banks on that date.

"The national banks in the twelve Federal Reserve cities on November 10 were lending to other banks throughout the country 163 million dollars, while the banks and trust companies throughout the country had to their credit with the national banks of the twelve Federal Reserve cities 1,989 million dollars, or 1,826 million dollars more than these banks were lending to their correspondent banks on the same date.

"The national banks in the fifty-five reserve and central reserve cities held on November 10, 1915, for the credit of other banks throughout the country 2,470 million dollars, which was 2,224 million dollars more than the total loans which the national banks in the reserve cities and central reserve cities were making to their correspondent banks throughout the United States."

A purpose other than the mere wish to purvey statistical information appears in these figures. Precisely the same point was emphasized in an address made before the last annual convention

of the California Bankers Association by Hon. Carter Glass, Chairman of the Banking and Currency Committee of the House of Representatives, and one of the framers of the Federal Reserve Act. Mr. Glass said:

"The two fundamental difficulties with the old system, as I have indicated, were the inelasticity of the currency and the fictitious nature of our reserve system, which congested all of the reserve funds of the country in the great money centers at New York; so that on the March preceding the date upon which the new Federal Reserve Act went into existence, into operation, the country banks of the United States had on deposit in the reserve banks of New York city $893,000,000; whereas the banks of New York city at the same time were only loaning to the country banks of the United States $186,000,000.

"Gentlemen, we have lived for fifty years under the delusion that New York city's financial institutions were necessary to the country, whereas the fact is, as has been demonstrated, that the country is necessary to New York city—New York city $893,000,000 in debt to the balance of the country and loaning to the country banks only $186,000,000."

It ought not to be necessary to indicate the fallacy in the line of argument presented by Mr. Glass and implied in the Comptroller's figures. It must be remembered that the reserve required to be held by the national banks in New York, Chicago and St. Louis was greater proportionately than anywhere else in the country; in other words, the banks in these cities could not expand their loans in as large a ratio to the cash held as could the other national banks; furthermore, a large part of these balances represented exchange provisions made necessary because New York is the country's financial and commercial center. And who knows, in the absence of information which neither the Comptroller nor Mr. Glass furnishes, how much may have been lent by New York banks on commercial paper, scattered all over the country, or on direct obligations of individual and corporate borrowers?

If Mr. Glass used the same kind of figures as those employed by the Comptroller, it makes a bad showing for the Federal Reserve Act, for New York seems to be getting more of the country banks' money than ever before and lending them less.

This summary of the Comptroller's report ends with the following statement:

"The Comptroller emphasizes the facts that the Federal Reserve Act was framed to benefit not only the banks but also the customers of the banks; that one of the great objects of the law was to decentralize the money of the country; to effect a more equitable distribution of capital and do away with the old system by which the resources of our banks have been so greatly concentrated in a few cities or sections, there to be loaned out largely on speculative ventures, while in other regions money needed so urgently for the legitimate purposes of industry and of development has been scarce and oftentimes obtainable only, if at all, at rates injurious if not prohibitory. He points out that in less than twelve months after the inauguration of the Federal Reserve system, every national bank in the United States and every member bank has participated in the beneficent results which have been achieved; that every member bank now has the opportunity of borrowing money to an extent not previously permissible, and at interest rates lower than ever have been known in the history of the banks, and he criticises the unwillingness of certain banks to extend to their customers the benefits of the lower rates which the inauguration of the Federal Reserve system brought about."

No figures are given to show how the money of the country was decentralized and the concentration of money corrected by the Federal Reserve Act. This omission THE BANKERS MAGAZINE is fortunately able to supply. Under the system existing in the year 1913, when the Federal Reserve Act became a law, there were, according to the Comptroller's report for 1913, just 367 national banks acting as reserve agents for other banks. These 367 banks were located in fifty different cities. The three central reserve cities—New York, Chicago and St. Louis—had fifty-two of these banks, the remainder of the 367 being located in the other forty-seven cities. Under the Federal Reserve Act the money of the country was decentralized by taking it out of 367 banks in fifty cities and placing it in twelve banks in twelve cities. The concentration of money which the Comptroller complains of was cured by putting the control of the bank reserves in the hands of seven men—himself being one—instead of leaving this control with the large number of bankers who had previously exercised it. This, as a mat-

ter of fact, is the way in which the money of the country was "decentralized." In other words, by reversing the principles of addition and subtraction and reversing the operations of multiplication and division.

The purpose of the Comptroller's figures and of the statement made by Mr. Glass seems to be to show that the New York banks are not lending enough money to the country banks, that the chief object of a banking system is to make it possible for other banks to borrow freely and largely and that this supposedly laudable object has been achieved through the enactment of the Federal Reserve Law. This inference receives further confirmation from the following quotation from the summary of the Comptroller's report, above quoted but which may be repeated:

"Every member bank now has the opportunity of borrowing money to an extent not previously permissible, and at interest rates lower then ever have been known in the history of banks." Then there is a further statement that the Comptroller "criticises the unwillingness of certain banks to extend to their customers the benefits of the lower rates which the inauguration of the Federal Reserve system brought about."

The theory involved in the statements of the Comptroller and of Mr. Glass are contrary to well-established banking principles, and such assertions ought not to go unchallenged. It was well said by Justice Shiras of the United States Supreme Court in the case of Western National Bank vs. Armstrong:

"The business of the bank is to lend, not to borrow money; to discount notes of others, not to get its own notes discounted."

This sound principle the Comptroller and Mr. Glass would have reversed, and that would seem to be the purpose of the Federal Reserve Act as well. Indeed, some of the Federal Reserve banks appear to be imbued with the idea that it is their special duty to educate member banks to become borrowers! No one can doubt that prior to the passage of the Reserve Act rediscounting was not looked on with favor by the best bankers; nor can any one doubt that it was one purpose of the Reserve Act to confer respectability upon the practice of rediscounting by banks, and to make easy what had heretofore been difficult.

By commandeering portions of the reserves and capital of the national banks, the Government has been able to issue a lot of

"money" and to dispense credit to the banks. One of its Treasury officials is disposed to criticise the banks for not borrowing this "money" and credit to be loaned at low rates to other banks.

In effect this whole business is so handled by the bureaucrats as to make it appear how much better they are managing the banking reserves than did the bankers themselves, and how immensely the people will be benefited by committing the control of their banking funds to Government officials.

After criticising some of the banks for lending at usurious rates, "the Comptroller concludes with warm praise for the bankers of the country generally." As this is not praise from Sir Hubert Stanley, it need not be too seriously taken.

POSTAL SAVINGS BANKS

AN increase from $500 to $1,000 in the maximum which any depositor may put in a postal savings bank is proposed in a bill favorably reported to the House of Representatives recently. The bill authorizes the Postmaster-General to accept interest-bearing deposits from a postal savings depositor until his balance amounts to $1,000, exclusive of accumulated interest, and without regard to the time when such deposits are made. It also authorizes the acceptance in the discretion of the board of trustees and under such rules and regulations as they may prescribe of additional deposits not to exceed in the aggregate $1,000 for each depositor, which shall be non-interest bearing.

In the report accompanying the bill it was said:

"The experience of the Post Office Department establishes conclusively that two things have seriously interfered with the growth and usefulness of the postal savings service, namely, the monthly restriction on deposits and the limitation on the total amount that may be accepted from a depositor. Postal savings deposits represent money formerly hidden and come chiefly from people who work for a daily wage and will trust no savings institution that does not

have back of it the direct pledge of the Government to repay deposits on demand. And of these wage earners the foreign born very largely predominate both in number of depositors and in the amount on deposit. Recent statistics collected by the Post Office Department show that fifty-nine per cent. of all postal savings depositors were born outside of the United States and had to their credit seventy-two per cent. of the total deposits. The foreign born have certain habits in regard to saving that have made the present restrictions on deposits burdensome and discouraging. They frequently accumulate several hundred dollars before opening an account, and when they find that only a part of their savings can be accepted they become either suspicious or disheartened, and it frequently results that their money is either returned to hiding and disuse or else sent abroad by foreign money orders.

"Postmasters from all sections of the country are constantly complaining that they are compelled to reject many tenders of amounts in excess of what may now be accepted. It is known that millions of dollars have been lost to circulation and to commercial activities which would have been deposited in our postal savings banks had the restrictions not existed. It is believed that the proposed bill will meet the demands of the public in a very large percentage of instances.

"The postal savings system now has approximately $73,000,000 on deposit standing to the credit of 560,000 depositors. More than 30,000 accounts have now reached the $500 limit, and the owners of them can deposit no more, despite their appeals to do so. And of these $500 accounts, 22,000 are owned by the foreign born. The Post Office Department assures the committee that the work incident to much larger deposits can be cared for with practically no additional expense."

There are some interesting features in this report. No doubt it is true, as the report says, that "postal savings deposits represent money formerly hidden and come chiefly from people who work for a daily wage and will trust no savings institution that does not have back of it the direct pledge of the Government to repay deposits on demand," but one can not help wondering why the Government, which has charge of at least one class of banks, has not instituted a form of supervision of such strictness that would enable it to place

a notice over the counter of every bank examined to the effect that deposits in this bank are protected by the United States Government. Manifestly the result of such a policy would be to dispense with the necessity for postal savings banks.

As the depositors in the postal savings banks come chiefly from the foreign element of the population, it must be assumed that the existing banks have not succeeded very well in what efforts they may have made to overcome the foreigner's objection to other than Government banks. The newly-arrived immigrant has been accustomed to put his savings in institutions operated by the Government, and it is only natural that he should show reluctance in trusting the ordinary banks. But possibly the latter might overcome much of this reluctance by the proper efforts. In a city like New York, for instance, where the foreign-born population is large, and where the existing savings banks are of practically undisputed and universal soundness, it would seem that the foreigner might easily be made to understand the safety of these institutions. The theory that he is not ready to trust any but Government banks finds some refutation in his readiness to trust so-called "foreign bankers" whose failures in certain districts of the city named were frequent until checked by more stringent laws.

Probably the foreign element in our population is merely waiting to be "shown," and this is work that the banks must do. It is rendered more difficult by the fact that not one but many alien languages must be employed as instruments of communication. Perhaps the difficulty of educating the foreigner—and the native, too, for that matter—could be overcome were the banks of the different communities to unite in a general educational campaign designed to show the safety and advantages of the banks.

Isn't it rather strange that the very deposits which are received from the foreign element who distrust the ordinary banks are handed over by the Government to these identical banks? Of course, the Government exacts security—for itself. Why doesn't it exact security for the depositor as well? This need not imply deposit insurance in the ordinary sense, but does imply efficient bank examination—such examination as would be provided were all banks members of a district clearing-house and subject to real bank supervision—the kind provided by the banks themselves.

PAN-AMERICAN PIFFLE

FROM the late occupant of the office of Secretary of State there came the amazing suggestion that the United States should guarantee the debts of the Latin-American countries. Now we are to guarantee the *status quo* of these countries, and this extraordinary proposal comes from no less a person than Woodrow Wilson. Addressing the Pan-American Scientific Congress at Washington last month, the President, in talking about "establishing foundations of amity so that no one will hereafter doubt them," said:

"I hope and I believe that this can be accomplished. These conferences have enabled me to foresee how it will be accomplished. It will be accomplished in the first place by the States of America uniting in guaranteeing to each other absolutely political independence and territorial integrity. In the second place, and as a necessary corollary to that, guaranteeing the agreement to settle all pending boundary disputes as soon as possible and by amicable process by agreeing that all disputes among themselves, should they unhappily arise, will be handled by patient, impartial investigation and settled by arbitration, and the agreement necessary to the peace of the Americas, that no state of either continent will permit revolutionary expeditions against another state to be fitted out on its territory, and that they will prohibit the exportation of the munitions of war for the purpose of supplying revolutionists against neighboring governments."

And yet, speaking at Indianapolis some time ago, the President vigorously upheld the right of the Mexicans to settle their difficulties in their own fashion—that is, by revolution—and sternly denounced everybody who proposed to interfere with their pleasant pastime of throat-cutting. Probably, if the United States had never been made a base for Mexican revolutionists, the Diaz regime in that country might not have been overthrown. What does President Wilson think about Cuba? Should Spanish rule have been perpetuated there, as might have been the case but for the revolutionary

support derived from the United States? And how have his own actions borne out the noble views he now professes? Has he not alternately supplied and denied arms to the Mexican revolutionists accordingly as he has regarded such action as beneficial to the cause of the particular revolutionist whom his policy favored?

The amicable settlement of existing boundary disputes and the future settlement of all difficulties by arbitration might not necessarily be as fine a thing for the Latin-American nations as appears on the surface of the proposal, and this country should be slow in committing itself to such a programme. Let us suppose—just for illustration—that in a few years Mexico should become one of the most enlightened and prosperous countries north of Panama, and the most liberally governed as well (rather a violent assumption under existing circumstances, it is admitted), and suppose also that all the countries below Mexico down to Panama should become hopelessly despotic and corrupt—should we then become a party to guaranteeing such a *status quo?* And might not even a change of national boundaries—under the conditions assumed—be a great benefit to civilization, even though some of the countries refused to submit to arbitration?

The proposal to stop the export of arms from one country to the other is hardly more wise or practicable. In some of the Latin-American countries there is no way short of revolution to get rid of an existing government which has become obnoxious. Shall a despotic government with self-perpetuating powers be allowed to rule indefinitely and the people denied the only possible remedy? In other words, shall we forbid to our southern friends the employment of precisely the same means we invoked under the guidance of Washington to end despotic rule in North America?

Without subscribing to Jefferson's dictum that the tree of liberty needs frequent refreshment from revolution, it may be said that this great liberty-loving northern republic ought never to enter into any compact by which it would become a party to a programme that would deny to any other nation the right to employ the sword as the final remedy against despotism.

All this does not mean that the South and Central American countries would not benefit immensely by abstaining from revolutionary disturbances to a greater extent than they have done in the past. They are too prone to resort to revolution for light and trivial

causes, though this tendency is gradually diminishing. Actually many of these "revolutions" are not of much importance, though they temporarily injure the reputation of the country indulging in them.

Of course, since the upheaval in Europe, no one would think of referring to Latin America as a particular example of warlike propensities. Compared with Europe the people of that part of the world are amateurs and bunglers in the art of killing their fellow men. That they, in common with the people of all lands, would profit beyond calculation by settling their difficulties amicably is indisputable; but to make the United States a party to a programme whose effects might be forever to fasten upon some Latin-American nation a rule of despotism and tyranny, is another matter altogether.

INVOLUNTARY INSURANCE OF BANK DEPOSITS

BANKERS who are opposed to the joint guaranty of deposits seem never to have realized that whether they believed in such guaranty or not, they were already compulsorily contributing to such a fund.

Every panic within our personal observation and study, now extending over nearly a quarter of a century, has been marked by a distrust of the banks and followed by a more or less general "run" on the banks of the country. These extraordinary calls have caused numerous bank failures and serious losses to all banks. Every bank has in some way shared in this loss and has been forced to make up a part of it. How has this been done?

In the panics of 1893 and 1907 clearing-house certificates and currency were issued to the extent of hundreds of millions of dollars, and these certificates and currency were virtually borrowed at from six per cent. interest and upwards. The revenue collected by the Government on emergency currency issued during the crisis arising from the European war alone amounted to $2,977,000. This interest represented an insurance premium on the country's bank deposits. Again in 1914 a large amount of emergency currency was

taken out under the Aldrich-Vreeland Act, for all of which interest was paid. The taking out of this currency and of the clearing-house certificates was for the purpose of meeting demands for deposits; in other words, a practical insurance of the payment of depositors and an actual payment of them. The interest which the banks paid for the certificates or currency represented the premium rate for insuring deposits.

It will be said, of course, that these devices were employed by solvent banks only; but how many banks would have remained solvent in those trying times had not these sources of relief been available?

But this is not the only way in which banks involuntarily contribute to a fund for deposit insurance. In every time of general banking distrust there are heavy withdrawals; and to provide for these, loans must be called by the commercial banks and securities pledged for loans or sold outright by savings banks, resulting in a loss in either case. Nor are these demands for the payment of deposits confined to banks under suspicion. Even such prudently-managed institutions as the mutual savings banks of New York have experienced serious runs at such times and have in some instances found it necessary to impose restrictions upon the withdrawal of deposits.

Nor are the conditions above mentioned bettered much if any under the Federal Reserve Act. Currency can of course be obtained through rediscounting, but rediscounting implies the payment of a rate, and whatever that may be it represents in effect a premium paid to insure deposits. Of course, where a bank borrows reserves to increase its loans, that is a different matter. But where mere currency is required to meet withdrawals of deposits—and this is a striking feature of all panics within our observation—the banks must suffer in the ways already pointed out.

It is both costly and absurd for a bank to rediscount to obtain currency to meet either the ordinary demands or even for extraordinary demands. What a bank ought to be allowed to do is simply to convert its book credits into circulating credits—that is, notes, the latter requiring precisely the same reserve as the former. This will be done when our people are educated so that they will understand that it is not necessary for the paper currency to be issued by the Government.

The charge in the form of rediscounts which a bank is compelled to pay to obtain currency (not reserves) is not only a loss to the bank, but a tax on the business community, which of course pays the cost. The only thing the country gets by paying this tax is the ornamental and useless machinery set up by the Federal Reserve Act. That such a false system could have been imposed upon the country was due to the fact that the people were never given an opportunity to vote upon it. Had they been allowed to express themselves they would have smashed it beyond recognition, just as they smashed Bryan's free silver proposal. But those who wanted to jam the Reserve Act through Congress were evidently afraid to trust the people; at least they did not bring the measure forward as a campaign issue in 1912.

The extreme foolishness of shipping paper to a Federal Reserve city and pledging it as collateral for currency and paying a rediscount will one day be realized by the people, for it does not take any technical knowledge of banking to enable one to understand that if the commercial paper which a bank at Houston ships to Dallas is good enough security for the Federal Reserve bank at Dallas to hold as a pledge against the currency it ships to the Houston bank, it is also good enough for the Houston bank itself to use in issuing such notes to the people who deal with the bank, thus saving the tax on commerce paid in the shape of rediscounts, and at the same time ridding the country of all the useless and costly Federal Reserve machinery.

Furthermore, some time the people will wake up to the fact that they are already trusting the banks with several billions of deposits, and the trusting of them for a few millions of notes would not be a serious matter.

Whenever the people are given a chance of discussing and understanding these things they will approve a sound and common-sense system and the cost which a bank now pays for obtaining currency will disappear and the community will be the chief beneficiary.

While as shown above banks involuntarily contribute to a fund for insuring deposits, they were gradually working out a really sound and voluntary method of making deposits safe through clearing-house examination until interfered with by the Federal Reserve Act which further extended the less efficient system of

Government bank inspection. Clearing-house examination was gradually developing a substantial system of deposit insurance, and in the right way—by efficient examinations which nipped bad banking in the bud.

TRADE ACCEPTANCES FAVORED

ADVANTAGES arising from a more general use of trade acceptances are pointed out in a statement issued by the National Association of Credit Men. Some of the advantages mentioned are, as affecting the seller, closer relationships with buyers, better financing abilities through possession of an available liquid credit, smaller operating cost with ability to sell at lower prices, reduction in bad debt losses, and relief from unfairly taken discounts. It is claimed that by employing trade acceptances instead of buying on open account the buyer would also profit by a stronger sense of responsibility toward obligations, by having a safeguard against overbuying without decreasing the buying powers, ability to buy at lower prices and thus be better prepared to compete and to succeed, more system in financial arrangements, and a broader place in the business world.

While the advantages enumerated above may be generally conceded, the following, which accompanies the statement referred to, is perhaps too sweeping a commendation of the benefits of this new form of paper. It is said: "The trade acceptance converts the sale and delivery of merchandise into a liquid credit, promptly and economically available for the financial needs of the seller." While this may be true in a general sense, it may be found in many cases that the liquidity of a debt may congeal suddenly and unexpectedly, even though it be evidenced by a new and improved form of trade paper. Trade acceptances, especially under the Federal Reserve Act, are a great improvement over open accounts or single-name promissory notes, and have several advantages which may be freely conceded, but is it not a mistake to suppose that the real character of a debt is much changed by merely evidencing it by a new

form of paper? For immediate purposes, its character is changed undoubtedly, but does not its essence—its actual worth—remain the same? If we suppose otherwise would it not be to repeat the same mistake made by those who think that multiplying the number of shares of a capitalized enterprise increases its real value? The seller of goods who takes anything but cash from his customer assumes a risk not merely of ultimate payment but of payment at the time specified. Trade acceptances that have to be renewed in one form or another would not be much of an improvement on open accounts or promissory notes, though they might, and no doubt would in many cases, spur the buyer up and make him more prompt and systematic in his dealings. To whatever extent this takes place it will be a gain over the old conditions. As already said, the immediate benefits which the seller would derive from the change under consideration are indisputable, but the ultimate gain would depend to a very large extent upon the real acceleration in payment of debts due from buyer to seller, for it is actual settlement after all that determines the real liquidity of a debt, and not the mere form of paper evidence of the debt nor even the facility with which the new style of paper may be availed of in borrowing from banks.

While therefore the trade acceptance contains no magical powers, and until fully developed through continued use may even prove disappointing in realizing all that is expected of it, there can be no doubt that it possesses many advantages, as pointed out by the National Association of Credit Men.

UNLAWFUL BANK INVESTMENTS

BANK directors who wish to escape responsibility for losses incurred by their banks through investments made without warrant of law should not fail to give due heed to some cases cited in the recent annual report made to Congress by the Comptroller of the Currency. It seems that in correspondence with certain national banks the Comptroller had pointed out that the banks were prohibited by law from purchasing stock of other corporations

as investments, basing this advice on a decision of the United States Supreme Court, which stated:

"The power to purchase or deal in stock of another corporation is not expressly conferred upon national banks, nor is it an act which may be exercised as incidental to the powers expressly conferred. A dealing in stocks is consequently an ultra vires act, and being such, it is without efficacy."

Where certain banks had participated in an underwriting syndicate with resultant loss, the Comptroller held that such participation was in effect buying an undivided interest in so much stock, and this was construed as a violation of the National Bank Act as well as in disregard of instructions from the Comptroller's office.

In the cases referred to considerable loss to the banks resulted, and for these the Comptroller insisted the directors were responsible and demanded that if they did not make restitution suit should be brought against them for recovery of the sums so lost. As only a limited number of directors had sanctioned the transaction, and some changes in the directorate had occurred, a compromise was effected in one case whereby about $500,000 was restored to the bank by certain of the directors, and in some other cases the full amounts lost in the deal were restored to the bank by the directors.

There are two points in this matter of which bank directors should take cognizance: first, that the executive or finance committee must either include all the directors, or that these committees be frequently changed, or that the entire board be kept fully advised of their acts. Unless these precautions are taken, bank directors may find themselves in a position where they will be called on to make good very serious losses, possibly for transactions with which they had nothing to do and of whose nature they may even have been ignorant.

ALLEGED FRIGIDITY OF BANKERS

FAILURE to keep pace with the changed spirit of banking in recent years leads the Sioux City (Iowa) "Daily News" to say these things:

"Do you know the difference between a bank and an artificial ice plant?

"Neither do we.

"Whenever we venture into a bank we feel like buttoning our overcoat tighter and edging up to the steam pipes.

"Why is it, we wonder, that a bank has to generate frigidity, just as an undertaking parlor generates gloom.

"Why do they have to give the common ordinary man the feeling that they're extending the icy mitt?

"Why can't a bank be just as human as a cigar store, or a haberdashery, or a billiard hall?

"Bankers are just ordinary men; their clerks are just ordinary clerks. Why cage 'em in tinsel fences and surround 'em with marble-pillared dignity?

"They're driving away custom, these bankers. Lots of folks feel real shaky about going in and starting a savings account, or a small checking account.

"Wouldn't the habit of thrift be helped along if banks weren't so distant in their methods—if they didn't scare folks away by their gilded grating and sad solemnity?

"Yes, it would."

Had the foregoing been written twenty-five years ago, it might adequately have characterized the banker of that time, but it falls far short of being accurate now. The banker of 1916 has caught the spirit of the times as truly as any other member of the community. He has thoroughly learned the lesson that it is good business to mingle freely with his fellows and to be courteous and affable. This statement is made after repeatedly meeting many bankers in all sections of the country, and is based upon much careful personal observation of the treatment which the banks accord those who deal with them. And the bankers of Iowa are certainly no exception to this rule. Has it ever occurred to people who object to an excess of dignity on the part of any members of the community that they themselves are blamable for the conditions of which they complain? We all expect gravity in the judge, decorum in the minister, and dignity in the banker. We impose upon the doctor a certain standard of dress and would be shocked to find that he failed to conform to it. This feeling on the part of the people that the banker was a high and mighty being to whom public and private homage must be

paid was responsible for the reserve which the banker long maintained. He felt impelled to live up to the standard prescribed for him by public opinion. But a good while ago somebody discovered that "bankers are just ordinary men," and the secret being out the banker came down from the lofty peak on whose icy summits he had so long involuntarily dwelt at the public behest, and became one with his fellow men. So that the type of banker described by the Sioux City "News" belongs to a by-gone day.

NEW PLAN TO RETIRE THE GREENBACKS

ONE of the latest financial proposals to crop out is a plan to retire the greenbacks. As reported by the newspapers this plan emanates from a committee of the American Bankers' Association. The plan contemplates an issue of $200,000,000 of United States bonds, the remainder of the notes to be redeemed out of the $150,000,000 gold reserve held in the issue and redemption division of the Treasury. It seems to be forgotten by the sponsors of this scheme that this gold reserve was created and is maintained not alone to take care of the greenbacks, but to preserve the parity of all forms of money coined or issued by the United States. Silver, being in larger volume, is quite as important a charge on the gold reserve fund as are the greenbacks, and to take away this $150,000,000 of gold and to apply it to the purpose proposed would be to deprive the large mass of silver of this gold support and to expose it to possible discredit and depreciation.

Perhaps from no quarter has there come more persistent opposition to the greenbacks than has come from this MAGAZINE. This form of paper money was in process of retirement by that sound financier Hugh McCulloch, but further retirement was prohibited by the act of May 31, 1878. The greenbacks have long been a disturbing and unsound element in our banking and financial system. They have tended to prevent elasticity and in the second Administration of President Cleveland they became a serious menace to the country's financial stability, offering a convenient means for drawing gold from the Treasury, necessitating bond issues and the well-known financial syndicate agreement to prevent the drain of gold

to Europe. All this is ancient history. But it is only fair to the greenbacks to point out that so long as the Treasury had ample funds, and until the silver began to grow very heavy in volume in the circulation, they caused little or no trouble.

As a matter of fact, the very worst that can be said about the greenbacks is that they perpetuated in the public mind the fallacy of a Government paper currency. This fallacy has not been eradicated, but is maintained in the Federal Reserve notes. While the latter are not legal tender, they are nevertheless obligations of the Government, nor should we be surprised if finally they are made legal tender. Actually, if the $150,000,000 is held as supporting the greenbacks only (which, however, is not really the case) they would be better sustained by gold than the Federal Reserve Notes, which may be emitted against a forty per cent gold reserve.

Since the passage of the Act of March 14, 1900 (which might appropriately be termed a credit-strengthening act) there have been times, as we have taken care to point out to the Secretary of the Treasury, when the greenbacks might have been gradually retired without any issue of bonds. This was when there was gold in the Treasury which might have been applied to converting the notes into gold certificates. If this procedure had been adopted a time might have come when perhaps as much as $100,000,000 of the $150,000,000 gold reserve could also have been used for a similar purpose. But now, with the Treasury struggling to prevent a deficit, there is no good reason why the public should be further taxed by the issue of $200,000,000 of bonds to retire the greenbacks. Actually the latter now bear such a relatively small proportion to the general circulation and to the gold in our currency that they are no longer an important element in our currency. They are to be condemned chiefly, as already stated, because they perpetuate the idea that the Government shall issue the paper "money" of the country. But this relic of the stone age is also preserved in the Federal Reserve notes, and it is folly to tax the people to retire one form of Government paper while at the same time keeping in existence another form of Government paper, of even larger volume, and almost equally objectionable as the greenbacks.

When the condition of the Treasury will again permit, the greenbacks should be turned into gold certificates, but under existing circumstances there is no urgency about the matter. The national

bank notes are an element of the currency which tends to prevent elasticity. Likewise the Federal Reserve notes, to the extent that they are not fully covered by gold and are used as reserve by state banks, will prove an undesirable element in the currency.

In some far distant day when the whole banking and currency problem shall have been understandingly discussed by the people, and acted on in the light of that intelligent discussion, we shall have but one kind of legal-tender money in the country—gold (although as a matter of convenience gold certificates may be made legal tender except by the Treasury), and no kind of paper except pure credit bank notes, which will be used simply as checks are to transfer credit, and not being Government obligations, but merely bank credits, will not be employed as bank reserves no more than bank checks are now so employed, and the silver will all be gradually absorbed in the subsidiary circulation.

LARGE CLAIMS FOR THE FEDERAL RESERVE ACT

IN a paean of prosperity recently promulgated by the Hon. William C. Redfield, Secretary of Commerce, occurs this superlative praise of the Federal Reserve Act: "We have for the first time in our history a sound system of finance." This panegyric of a law as yet practically untried must be pardoned to one having the exuberant mental make-up of Secretary Redfield, who is himself a member of an Administration whose fortunes he is naturally and properly solicitous to promote.

The Secretary's statement is altogether too sweeping. He seems to forget our early history and the financial system devised by Alexander Hamilton. That this system was sound is not a matter of opinion but of history. Secretary Redfield is, of course, referring to the Federal Reserve Act when he speaks of "a sound system of finance." What has this act really accomplished to warrant the extravagant encomium bestowed upon it by the Secretary of Commerce? Mr. Redfield justly states that at least a part of its influence was psychological. He says: "We were put to an unprecedented strain in August and September of 1914, when as yet our reserve system was but born. It stood us in good stead in

its infancy. Indeed, the promise of its birth gave a new sense of security. Now that it is full grown we rest safely upon it."

What a wonderful child, whose prenatal influence upon our vast commerce and industry was so great and truly beneficent! And how quickly this infant attained to the stature of full growth!

Of course, Mr. Redfield knows that we were extricated from the strain of 1914 not by this remarkable baby, but by the wickedly-conceived Aldrich-Vreeland Law. And he ought to know also that his extravagant praise of the Federal Reserve system, in the obscure light of its short experience, rises but little above the level of nonsense.

The real truth is that the Federal Reserve Banks have not yet been in operation long enough to demonstrate their usefulness or the soundness of the system of which they form a part. It is nevertheless true as the Secretary of Commerce says that the inauguration of the system gave a new sense of security, although while the change was being made there was some apprehension as to its effect upon the reserve bank centres. Happily, this apprehension proved groundless, partly because of conditions which made the readjustment easier than would probably have been the case under other circumstances.

We cannot join in the Secretary's rapturous outbursts over the new system until we know how it will work out after, say, twenty-five years of trial should it last so long. Nor can we have complete faith in the soundness of the system until more banks are brought into it than the limited number of institutions now compulsorily members of the Federal Reserve System.

The Federal Reserve Act checked what was, in our opinion, the development of one of the very best phases of American banking—the extension of clearing-house supervision—and substituted for it a greater degree of Government oversight of banking. Moreover, at a time when expansion should have been discouraged, the Federal Reserve System has thus far operated in a manner tending to encourage inflation. There is some suspicion also that the activities of the system have been unduly sectional and therefore in a sense political.

The Federal Reserve System in many of its contemplated reforms and theoretical principles gives promise of a gradual betterment of banking conditions in the United States, but it is yet too early to state with any degree of positiveness to what extent this promise may be fulfilled.

Cost of the War to Europe

From the London "Economist"

THE expenditure of the United Kingdom was £1,490,000 per day for the first eight months (or £1,270,000, excluding external loans), and has been rising rapidly since, until it is estimated at £4,450,000 per day (or £2,740,000, excluding loans) for the five months to March 31 next. The total expenditure to that date is estimated on actual and budget figures at £1,222,200,000, plus £474,-800,000 for external loans, or £1,697,-000,000 together. These figures represent the excess over a previous £80,-000,000 a year for the army and navy. Of the loans about £50,000,000 will be made to our own dominions, but this is offset by the loan we have obtained from the United States. We have more than all the other belligerents raised money by special taxation. Our loans to allies and neutrals are estimated to amount to £425,000,000 to March 31 next, and the burden which has fallen on us in this respect is doubtless more than twice as heavy as that of any other belligerent, Germany probably ranking next. We have lent chiefly to Russia (for purchases in the United Kingdom and elsewhere outside Russia), to France (for purchases here), to Italy, Belgium, Servia, and certain neutral countries.

Judging by the credits voted, the war has cost France £660,000,000 to June 30, 1915, to which must be added £224,-000,000 for the quarter to September 30, and £240,000,000 for the quarter to December 31, and £327,000,000 for the quarter to March 31 next, making a total to the last mentioned date of £1,-451,000,000. Excluding loans, it is probably that the war has cost more to France than to any belligerent, except Germany. Special taxation of various kinds is only now proposed, including, in particular, a war profits tax. France has made loans to Russia (for purchases in France), Belgium, Servia, and neutrals, and the total so disbursed in the first year was probably in excess of £50,000,000; while it has borrowed £50,000,000 from the United States, and considerable sums from us.

The Russian war expenditure has been £188,000,000 (including £37,000,-000 for mobilization) to November 14, 1914, £576,000,00 to July 14, 1915, and £639,000,000 to August 14, 1915. The seven months to January 14, 1916, are expected to cost £429,000,000 and the year to January 14, 1916, £764,000,000, making a total of over £1,000,000,000 from the commencement of war. The expenditure was at first £1,400,000 a day, excluding the costs of mobilization, while for August last it was £2,000,000 a day, and for the year 1915 it is estimated at £2,100,000. Special taxation is proposed, including an income tax. Russia has lent money to the smaller belligerents, but has doubtless received much heavier loans from this country, for purchases here and in America, and from France in respect of purchases in France.

Italy, which came into the war on May 23, is believed to have spent £80,-000,000 on preparations prior to entering, and its expenditure for the four months to September 30 last was £14,-600,000, £16,500,000, £17,400,000, and £16,600,000, making a total of £145,-000,000 to that date.

Belgium and Servia have been largely helped with loans by France, Russia, and ourselves, their power to provide being, obviously, very considerably cur-

tailed. The bulk of Belgium has been in the hands of the enemy since the end of the first month of war.

An estimate of Germany's costs has to be derived mainly from its votes of credit, which have been £250,000,000 in August, 1914, £250,000,000 on December 2, 1914, £500,000,000 last March, £500,000,000 on August 20, and £500,000,000 this month [December]. At the time the August credit was asked for, Dr. Helfferich stated that the war expenditure was nearly £100,000,000 a month. To the above have to be added the £10,250,000 of mobilization treasure in the Julius Tower at Spandau, and the product of the "defence contribution," or Wehrbeitrag—a capital levy payable in three installments, at the beginning of the years 1914, 1915 and 1916, which was expected to bring in £50,000,000 to £80,000,000. Partly, perhaps, because of this capital tax, imposed before the war, Germany has hitherto not levied any special taxation, but a war profits tax, formerly said to be impossible to formulate until after the war, is proposed to be shortly raised. Loans of large amounts have been made to Turkey, Bulgaria and neutrals. It is not clear whether Austria-Hungary has also been partly financed by the German Government.

The expenditure of Austria-Hungary can only be surmised from the fact that its population, and therefore army, is seventy-five per cent. of that of Germany and by remembering that its costs must be on a relatively smaller scale, because its commitments and resources are less. Dr. Helfferich on August 20 put the then expenditure of the alliance countries at £5,000,000 a day, and the expenditure of Germany at nearly £100,000,000 a month, which would leave £50,000,000 or so per mensem for Austria-Hungary and Turkey.

We now have material (with other data not here specified) for arriving at what may be regarded as being, on the whole, a fairly close approximation to the total direct cost of the war to the Governments of Europe. A comparison of figures is, however, apt to be obscured if one does not disentangle the figures from loans made to other belligerents and to neutrals. In the table which follows "direct cost" is to be understood as the cost of the war to the Governments concerned for expenditure on their own war operations—expenditures in excess of ordinary peace outlay on military and naval matters—while the fourth column represents those direct costs, plus loans made, or less loans received, this representing the burden to be met during the war. The difference between the third and fourth columns represents loans made, less those received, or *vice versa,* for Russia, France and ourselves have both borrowed and lent. It need hardly be said that the amounts of the loans have, except in the case of the United Kingdom, been guessed at, and are not based upon evidence. The difference between the grand totals of the third and fourth columns represents supposed loans to neutrals.

The table represents an attempt to gauge the direct cost of the war on the assumption that hostilities will cease March 31, and the direct costs are continued to the end of July next, with the idea that full expenditure for a further four months (although not, of course, spent within the limits of that period) will cover the cost of clearing up after hostilities—i. e., the reduced expenditure of the months during which the armies will be kept together pending the negotiation and ratification of a definite Peace Treaty, and the many months thereafter during which the disbandment of the armies and the gradual return to normal conditions will take place. It is believed that the figures are not exaggerated, and that they are indeed subject to the unexpected increases in expenditure over estimates to which we have become accustomed, and which are expressly not allowed for in the table. The first three columns would hold good for the expenditure to July 31 next if hostilities continue until then or later, but they would in that case contain no allowance for the cost of clearing up, and the fourth column

would be varied by the further inter-loans which would have to be granted and received:

	First Year.	Second Year.	Both Years.	
	Direct Cost.	Direct Cost.	Direct Cost.	Direct Cost, Plus or Minus Loans.
	£	£	£	£
United Kingdom	550,000,000	1,0[illegible]0,000,000	1,590,000,000	2,025,000,000
France	680,000,000	975,000,000	1,655,000,000	1,755,000,000
Russia	[illegible]	810,000,000	1,426,000,000	1,300,000,000
Italy	110,000,000	250,000,000	360,000,000	225,000,000
Belgium and Servia..	[illegible]	100,000,000	220,000,000	45,000,000
Entente total....	[illegible],085,000,000	3,125,000,000	5,210,000,000	5,250,000,000
Germany	850,000,000	1,250,000,000	2,100,000,000	2,270,000,000
Austria-Hungary ...	500,000,000	600,000,000	1,100,000,000	1,100,000,000
Turkey and Bulgaria	40,000,000	130,000,000	170,000,000	30,000,000
Alliance total....	1,390,000,000	1,980,000,000	3,370,000,000	3,400,000,000
All belligerents ..	3,475,000,000	5,105,000,000	8,580,000,000	8,650,000,000

If the first year were split up, the expenditure would work out at about £9,200,000 and £10,000,000 daily for the first and second halves. The smallness of the increase is due largely to the costs of mobilization falling into the first six months, and, moreover, the great increase in expenditure (partly due to new combatants entering the lists) is taking place in the second year, which shows an average of £14,-200,000 a day. Professor Wolff toward the end of 1914 estimated the daily cost at £7,500,000, the "Vorwaerts" in January last at £9,250,000, Mr. Edgar Crammond in March last at £9,300,000 (for the first year), while Dr. Helfferich on August 20 estimated the daily cost at £15,000,000, and this week at 16 to 16½ millions.

On the matter of loss of human capital, each man assumed to be killed or permanently incapacitated is taken at, roughly, six years' purchase of his average productive value, as compared with the seven to nine years' purchase at which M. Barriol's oftquoted figures would work out. The figures of killed, wounded, and missing (the sick and those who die from disease are not included), are estimated from the best material available, and on the assumption of hostilities ending on March 31 next. It may be remarked that these estimates are very much below those sometimes given, and the total is only here set down to enable a judgment to be formed as to whether they are fair or not. What we really want to arrive at is the number of men permanently thrown out of production, and to arrive at this we take the killed included in the total casualties, add ten per cent. to this figure, and a further ten per cent. of the wounded, to allow for those who succumb to their wounds, who die of disease, or who are permanently incapacitated by wounds or disease. The picture thus obtained is probably not exaggerated in any way, though figures could not be produced in support; but it may be mentioned that Germany has claimed that of the wounded and sick admitted to the military hospitals of the Empire to July last, 88.5 per cent. were discharged fit and 9.6 per cent. unfit, while the remaining 1.0 per cent. died. The dead and incapacitated on each side come out approximately equal notwithstanding the estimated greater total casualties on one side because of the smaller proportion of prisoners in the hands of the enemy:

LOSS OF HUMAN CAPITAL.

	Killed, Wounded, and Missing.	Killed, Dead from Disease and Permanently Incapacitated.	Human Capital per Head.	Loss of Human Capital.
			£	£
United Kingdom	800,000	236,000	600	140,000,000
France	2,000,000	515,000	500	260,000,000
Russia	6,000,000	960,000	375	3[illegible]0,000,000
Italy	500,000	140,000	350	50,000,000
Belgium and Servia	550,000	130,000	350	45,000,000
Entente total............	8,850,000	2,000,000	3[illegible]2	765,000,000
Germany	3,700,000	990,000	450	445,000,000
Austria-Hungary	3,100,000	840,000	400	335,000,000
Turkey and Bulgaria	600,000	150,000	275	40,000,000
Alliance total............	7,400,000	1,980,000	414	820,000,000
All belligerents..........	16,250,000	3,980,000	398	1,585,000,000

The total of probable dead and permanently incapacitated is appalling, but is much less than is sometimes expected or suggested, as, for instance, by one recent lecturer, who put the total destruction of life in Europe in two years of war at nearly 20,000,000 persons. The population of the belligerent countries is 447,000,000, and the estimate of 3,980,000 represents 0.9 per cent. of that population. The proportion is 0.7 per cent. for the entente countries (population 304,000,000), 1.4 per cent. for the alliance countries (pop-

	National Wealth.	National Income per Annum.	National Savings per Annum.	War Costs.	Proportion of War Costs to Wealth.	Proportion of War Costs to Income.	Proportion of War Costs to Savings.
	£ £	£ £	£ £	£ £	%	%	%
United Kingdom	18,000,000,000 (390)	2,250,000,000 (49·0)	375,000,000 (8·2)	1,590,000,000 (34·6)	8·8	71	424
France	13,000,000,000 (325)	1,500,000,000 (37·5)	250,000,000 (6·2)	1,915,000,000 (47·9)	14·7	128	766
Russia	12,000,000,000 (70)	1,500,000,000 (8·8)	250,000,000 (1·5)	1,695,000,000 (10·0)	14·1	113	678
Italy	7,000,000,000 (200)	850,000,000 (24·3)	125,000,000 (3·6)	410,000,000 (11·7)	5·9	48	328
Belgium and Servia	2,750,000,000 (210)	350,000,000 (26·9)	60,000,000 (4·6)	265,000,000 (20·4)	9·6	76	442
Entente total	52,750,000,000 (173)	6,450,000,000 (21·2)	1,060,000,000 (3·5)	5,975,000,000 (19·7)	11·3	93	564
Germany	16,000,000,000 (235)	2,100,000,000 (30·9)	350,000,000 (5·1)	2,545,000,000 (37·4)	15·9	121	727
Austria-Hungary	9,000,000,000 (180)	1,200,000,000 (24·0)	200,000,000 (4·1)	1,435,000,000 (28·7)	15·9	120	717
Turkey and Bulgaria	1,750,000,000 (70)	200,000,000 (8·0)	30,000,000 (1·2)	210,000,000 (8·4)	12·0	105	700
Alliance total	26,750,000,000 (187)	3,500,000,000 (24·5)	580,000,000 (4·1)	4,190,000,000 (29·3)	15·7	120	722
All belligerents	79,500,000,000 (178)	9,950,000,000 (22·3)	1,640,000,000 (3·7)	10,165,000,000 (22·7)	12·8	102	620

ulation 143,000,000), 1.7 per cent. for Austria-Hungary, 1.5 per cent. for Germany, 1.3 per cent. for France, 0.6 per cent. for Russia, and 0.5 per cent. for the United Kingdom.

The costs of the war (excluding Japan, our dominions and neutral countries) in the two tables are totalled in the preceding table, and are there compared with the national wealth, annual income, and annual savings in the year before the war of the belligerent countries, these figures being very roughly assumed for the sake of completeness in the case of all countries except the United Kingdom, France and Germany.

No attempt is made in the above figures to allow for the destruction of buildings, railways, agricultural values, etc., the considerable loss of production in Northern France, Belgium, East Prussia, Poland, Galicia, and Servia caused by the enemy's occupation of territory, the cost of pensions, the destruction of ships and their cargoes, the decrease in stocks of food, meals, and other raw materials, the obsolescence of machinery used for making munitions, the loss of increase of wealth, due to stoppage of the normal investment of new capital, the diminution of future trade and income caused by the war, and, above all, the very large depreciation in the prices of securities and in the value of other assets. These additional factors add largely to the loss of wealth and income.

The cost of the war to the Governments concerned will be largely expressed in additions to their national debts. Making allowance for amounts raised by current taxation (in the case of the United Kingdom only) and for the issue of stock at a discount, the following figures may be offered on the basis of the direct costs given above:

	Direct Cost of the War.	Addition to National Debt.	Rate of Interest.	Interest per Annum.
	£	£	%	£
United Kingdom	1,550,000,000	1,380,000,000	5	69,000,000
France	1,655,000,000	1,900,000,000	5	95,000,000
Russia	1,425,000,000	1,500,000,000	5	75,000,000
Italy	360,000,000	400,000,000	5	20,000,000
Belgium	120,000,000	120,000,000	5	6,000,000
Servia & Montenegro	100,000,000	100,000,000	6	6,000,000
Entente countries	5,210,000,000	5,400,000,000	5	271,000,000
Germany	2,100,000,000	2,100,000,000	5	105,000,000
Austria-Hungary	1,100,000,000	1,150,000,000	5¾	66,000,000
Turkey	140,000,000	150,000,000	6	9,000,000
Bulgaria	30,000,000	30,000,000	6	2,000,000
Alliance countries	3,370,000,000	3,430,000,000	5·3	182,000,020
All belligerents	8,580,000,000	8,830,000,000	5·1	453,000,000

Roughly, the effect of the war will be to increase the pre-war debts of the entente countries by sixty per cent., and to double the debts of the alliance countries, while the interest charge will be increased in much greater proportion, and the cost of pensions will be added.

In the above figures no allowance is made for the war debts of our colonies or of Japan, or for the expenditure necessitated by the war in the case of neutral countries, all of which would add a considerable amount to the total given, though by comparison with it they fade into insignificance.

To Bankers Magazine Readers

IT is the purpose of the publishers of THE BANKERS MAGAZINE to make this publication of even greater interest and value to bankers in the future than it has been in the past, and to that end the coöperation of readers is cordially invited.

You who are doing the actual work of the bank, whether as clerks or officers, must gain much fresh information which you would be willing to pass along.

It may be a new and effective method of getting business, or improved systems of working or of management, an especially productive advertising campaign, some new angle of banking that makes your institution more helpful to the community; or it may be you encounter amusing experiences or hear a good bank story.

Whatever your contribution may be along any of these lines, and any other line that may suggest itself to you as being calculated to make this MAGAZINE of greater interest and benefit to the bankers of the country, will be gladly received.

To make THE BANKERS MAGAZINE the worthiest possible representative of American banking, your help is needed. May we count on having it in the way indicated above?

THE EDITOR.

A Bank Clerk's Saturday Afternoon

By WALTER H. WOODWARD

WHAT can the young bank clerk do to find the high road to success and happiness, and so cure himself of his everlasting pessimism? In no other field of endeavor is the confirmed grouch and chronic kicker so prominent. There is an explanation for this. Possibly it is because in the great majority of cases the young man has simply FOUND himself in the banking business. I say FOUND because I honestly believe that not one in twenty really chose to enter this particular field. He finds himself engaged in banking as the result of his family's choice, or perhaps as in the case of many another boy he looked for a "job with a promising future" and took the one which first offered itself. Once on the road he ran along smoothly enough for a time and then gradually awakened to the fact that the future was almost all "promising." After he reaches this stage he often sets up a resistance to work. Everything slackens up and his ambition evaporates. He begins to listen to the complaints of fellow employees and finally finds himself "rutted." And he is—unless he digs himself out, a feat which he claims is difficult of performance because nobody knows what he is really worth, or how hard he works, or how much he knows. So he blames it all on the humdrum existence he thinks he is forced to lead, and if you ask him how he likes his job, he will tell you it is "a rotten business," etc.

WELL, the majority of them do lead a humdrum existence (a fault of their own) and as a consequence the time is not long before they get the "blues," indigestion, grouchy dispositions and other kindred ills. They tell you, "only those who hold official positions with fat salaries can get home early enough to play golf, tennis, etc.—besides such recreations cost money." Yes, they do, and so does a doctor's advice in treating gout, rheumatism, arterio-sclerosis, Bright's disease and all the other things which attack bank presidents. The only things that the average bank clerk suffers from are ignorance and narrowness of vision, and neither medicine, nor a large salary, nor a dignified position can cure him of that. He must dig himself out. There are one hundred thousand means of doing this, but there is one little word which gives the key to the whole problem—"hobby."

I speak from personal experience and to every poor sufferer I give this advice gratis. As soon as you select a hobby fitted to your liking, ability and temperament you have taken the first step towards success. It doesn't matter what your hobby may be—theatricals, photography, numismatics, bicycling, canoeing, walking, literature, sketching, music, firearms, historical reading or athletics—anything you can interest yourself in will suffice to clear your soul and help to keep you in mental trim for your daily task. Be careful, however, of athletics; so many insist upon developing the body at the expense of the mind. If you can make of your hobby an avocation, so much the better; there is no objection to fattening the bank roll.

Perhaps you may only elect to constitute yourself an observer of other men's lives—their manners, habits, peculiarities and misfortunes. Select this and you will find enough material to

keep you busy thinking for years and in one week you will discover how little you know—how much there is to learn—how less fortunate you might be. I will give you an example of one short afternoon devoted to walking about with the eye and the mind open.

THE picturesque and strange exist at home as well as abroad, and to those who do not believe it I only suggest that they go and visit some

A WAGON, TWO-WHEELED BUT HORSELESS

section of their own city with which they are not familiar. Let them take a day's vacation and consort with the inhabitants of that section and get in close and intimate touch with the unknown.

That there is a lack of time is no excuse. What do you do with your early morning hours? I mean that delightful period that extends from a healthy rising hour to office time. This is the best part of the day, for it is absolutely new and unused; besides, the mind is clear and the body strong. If, however, one has a preference for sleep, there is always Saturday afternoons and Sundays, the latter being the most generally wasted and neglected day of the week. Such excursions and explorations serve to foster a keener interest in life and have been the cherished habit of the most interesting men in history. One trial will convince all but the hopelessly prosaic and commonplace of its high educational value. But go about with your eyes wide open and your wits alert.

One bright and warm Saturday afternoon I decided to treat myself to an exploration trip with the object of discovering in how many different ways one might eat in New York without recourse to indoor restaurants, hotel roof-gardens or terraces. I was convinced that thousands do not (because they cannot) enter restaurants of any kind. The water-front called me, and armed with sketch-pad and notebook I wandered southward to the ferries near the Battery.

Caught in the crowds of commuters rushing for Staten Island and Brooklyn boats, I could find none who ap-

peared to be unprovided with the means to live. They were not strange to me. Finally I found myself at the edge of the Battery wall, looking for something or some one to afford me a start. I saw a figure of mammoth proportions, slowly shuffling in my direction. He was over six feet tall, though slightly stooped, deep-chested, grey-haired. He wore a cap, a cheap flannel shirt open at the neck, dark-colored trousers and rough, well-worn shoes. His coat was thrown over his arm and his other hand was busy searching his trousers' pocket, evidently for a match to fire his pipe, carried at such a bold angle. Here was my chance. I held out my box of matches, which he took without a word.

"You're a likely-looking chap," I began, "and look to me as though you might know all about the water-front—South Street, and the like. I'll supply cigars and drinks if you'll tell me all you know."

His grey eyes, slightly bleary, considered me with amazement.

"What's the game you're up to?" he asked belligerently, and I saw that I had aroused suspicion in a mind which was not to be easily pacified or reasoned with. All my explanations that I was in search of adventure of the most mild and innocent variety, reinforced by a display of my notebook and sketch-pad were of no avail until I earned his confidence by buying him a drink in a filthy hole on South Street which he called "Number Ten." The additional treat to a perfectly good Havana loosened him up only enough for me to learn that he was a powerful man in search of a job. I had no idea when I began the acquaintance that I had annexed a human sponge, but I had. Concerning South Street he pretended to know nothing of which I was in search, but I decided to hang on to him for a while at any rate—something might develop. The better I treated him, however, the more suspicious he became—he wanted to know my name, gave Tom Fogarty in return, and then accused me of being a "cop." That made me laugh. Poor, insignificant me! Then, when my hand was lost in the vastness and fastness of his coarse grip, he accused me of being a Mason. I could not succeed in convincing him of my honesty.

He finally agreed to walk further north. We started, scrambling over sprawling children, dodging loaded sailors and longshoremen and clambering over the everlasting obstructions at the entrance of warehouses and ship chandlers. At one place I saw a nasty and sudden end to our voyage. A docile Italian steadying a plank on on unloading platform exposed his brown hand in a way to tempt Fogarty to put his foot upon it. There was a cry of pain and rage which only the towering bulk of my noble associate and my own trembling diplomacy prevented from bursting into flame. My feet are fast, and the corner was not far distant, so I felt safe in seeing the thing through.

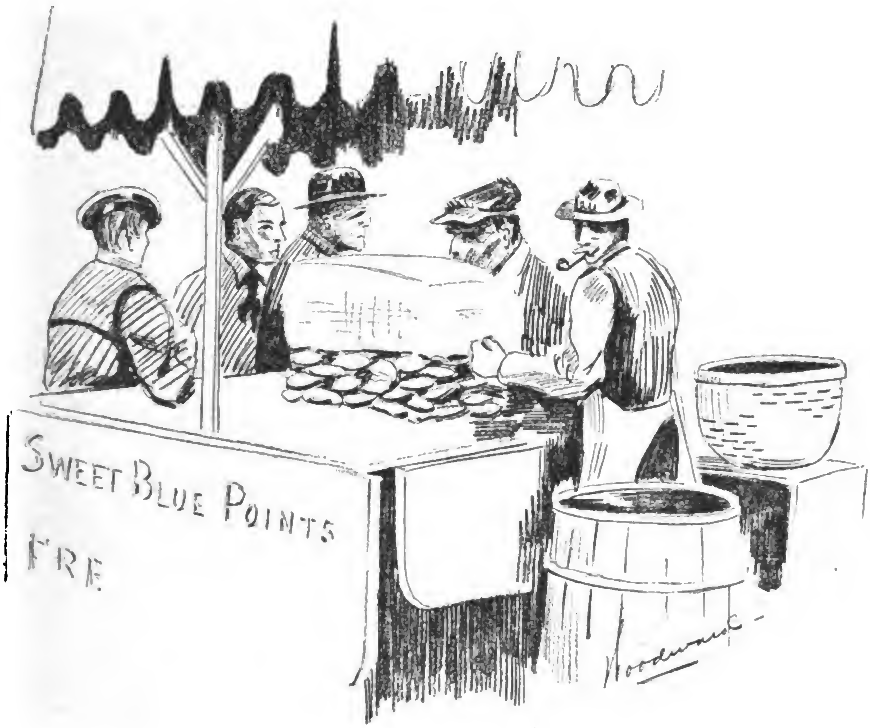
At the sight of an oyster-stand at the curb near the next corner, surrounded by a group of longshoremen, sailors and dissipated rum-soaked outcasts I was seized with an inspiration. To fill Fogarty with oysters was one safe way of diverting his attention. The stomach is the most cherished part of the beast.

Here was the first place I had found where a man could eat without passing through a door. Shaded by a vari-colored awning was a large chunk of dirty ice on top of a pile of oysters presided over by an old man who opened them as you ordered. We ate. Shell fish only served to make my friend more stupid than ever, so, after buying him another drink and engaging him to meet me on the following Saturday—an appointment which I never intended to keep—I gave him some silver and continued my walk alone.

DRUNKEN longshoremen, belligerent sailors, poisoned with cheap rum; bastard children under your every step, curses, noises of trucking and loading of ships—that is South Street. And yet our commonwealth suffers from crazy epidemics of sentimental slush—reform for the hopelessly degenerate—church charity for the confirmed im-

provident—"slub-gush" about the sacredness of human life. Man san sink so low as to be beyond redemption and when that happens it is best that we be careful in what direction we bend our efforts at reform.

I leave Coentie's slip and South street, and Peck's Slip and the dirty, interesting, sorrowful water-front behind me. Through devious paths, disclosing conditions not dissimilar to the shirt sleeves busily engaged in slitting rolls and filling the cracks with greasy frankfurters. Else, if so requested, he withdraws from a crumb-filled, fly-specked glass case a square piece of bread and sticking it on a fork dips it into a mixture called soup, but which more nearly resembles gutter wash. These carts are the rendezvous of the "newsies" and messengers—embryo corporation heads, or Sing Sing inmates.



THE OYSTER STAND

late scenes, I find myself under the coal, deep shadow of the Brooklyn Bridge. There the quality of the city noise changes from the rattle and road immediately around me to the dull and monotonous hum a hundred and fifty feet above, yet around a corner fifty yards off I can find the familiar jangle and bang once more.

Near at hand I find a two-wheeled yellow cart, shaded by a large varicolored umbrella advertising hats, etc., its Greek proprietor in dirty apron and

Crossing over to City Hall Park with its crowded benches and its mob of employed and unemployed, I find near the dingy fountain the most sanitary and creditably managed of all the out-of-door eating and drinking places, a well-considered philanthropy, the Straus milk station, surrounded mostly by women and children. Here are our rustic visitors on their first sojourn to the city spending with rash indifference their savings of years. I stop to watch and make a hurried sketch of tired

mothers and their thirsty children. A sun-bronzed bootblack with optimistic Latin face, clad only in trousers and dirty undershirt, gleefully consents to pose for me. Poor little atom! I wonder how much he earns through one hot, suffocating day? What has fifty years of future in store for him?

I wander on, across Broadway, down excursion boats loaded with women and screeching infants bound for Jersey coast resorts. Go ask your countryman for information about the places of interest in your city. Urban life is humdrum—its followers know little of such things. From the afterdecks of these excursion boats the squeak of the lone violin, its strings ruined by salt air,

ALL HOT! ALL HOT!

Church street, noisy and narrow. Far down town, where none but the curious venture, I find two drunken soldiers disgracing their uniforms by browbeating and assaulting a one-legged man. My remonstrances are met with curses and abuse, so I leave the cripple valiantly and successfully defending himself with his crutch.

Through more alleys I emerge once again at the Battery where visitors are making pilgrimages to the Aquarium and Bedloe's Island, or taking sail or racks the nerves of the uninitiated, quiet, retiring spectator. Here I find numerous fruit-stands and soda-fountains catching the pennies spent in the last excited moments before sailing. The most interesting arrangement I find in the shape of a wagon, two-wheeled, but horseless, its empty shafts propped up with an old broom. Beneath the scanty shade of a canvas shed are housed the ice-boxes from which the owner serves, if we can believe his sign, milk-shakes or ice cold buttermilk. With great cir-

cumspection in the selection of its position, this cart does a thriving business with crowds on their approach to the boats.

The whistle has given a warning blast. Here comes a stout man running like mad, one hand struggling with a folding go-cart and the other frantically endeavoring to enter his trousers' pocket where lies the family treasury. His wife, large and bulbous, waddles painfully behind him, sweating under the double burden of a child in arms and a greasy lunch box, while she crossly chides another tot running at her side with rattling tin pail and shovel.

I move on, wondering whether or not I shall ever see my longshoreman again, when suddenly I hear a voice behind me calling "Hey!" It is Fogarty, drunker than when I left him—not contrary to my expectations. To his surly plea for a dime I turn a deaf ear. The silver I had given him an hour ago has worked sufficient damage. I do him a real service by this refusal, but his poor dumb brain can not understand, so I must content myself with his abuse.

ONCE more I wandered towards the ferry houses and there, attracted by the shout of "All hot! All hot!" I find near the steps leading to the overhead railroad a charcoal burner beneath a large iron pot filled with really tempting corn, all aboil. The ears, steaming hot, are lifted on an iron fork and briskly treated to a coat of butter applied with a brush. You salt your purchase to suit your taste and eat it on the spot, using as your table a board supported by two stools.

Sandwich men, laborers and mechanics with healthy appetites patronize this spot and even an occasional respectable looking business man is attracted by the sight in passing, and after making a hasty survey of the neighborhood to guard against discovery by some unexpected acquaintance, selects a tender ear and falls to.

The afternoon is nearly spent—it must be close to six o'clock. My feet are tired for I have wandered far, and city pavements are unsympathetic. I have seen much to think about, so I close my notebook and turn away, not altogether sad, yet with a certain sense of melancholy. A shabby man halts me with a request to purchase a diamond ring. "Cheap, sir!" But I want no diamond ring, and I enter the subway, where the roar and rattle of rushing trains brings me to my every-day self. I am homeward bound.

A. B. A. Agricultural Commission

AT the Seattle convention of the American Bankers Association the Agricultural Commission was by unanimous vote continued for another year. The Administrative Committee of the association has just acted on the personnel of the commission for 1916, and the following appointments are unanimous:

B. F. Harris, president First National Bank, Champaign, Ill., chairman.

E. J. Curtin, president Citizens Savings Bank, Decorah, Iowa.

Joseph Hirsch, vice-president Corpus Christi National Bank, Corpus Christi, Texas.

George T. Wells, chief clerk Denver National Bank, Denver, Colo.

J. R. Wheeler, cashier Farmers and Merchants Union Bank, Columbus, Wis.

R. I. Woodside, president Farmers and Merchants Bank, Greenville, S. C.

William H. High, assistant cashier Anglo and London-Paris National Bank, San Francisco, Cal.

A Permanent Charity Fund as a Trust Company Department

AN interesting plan for a "Permanent Charity Fund" has recently been adapted by President Charles E. Rogerson and put in operation by the Boston Safe Deposit and Trust Company. Similar plans are in operation in Cleveland and in some other cities, but the Boston method has some modifications and advantages and it is believed that similar funds will become a desirable adjunct of the modern trust company, both from a philanthropic point of view and as an instrument for increasing the business of the trust department.

The plan is based on the desire of many persons to leave money in trust for charitable purposes, but who may be in doubt as to the proper means of doing so effectively. They believe that it is impossible for them to foresee the charitable needs of the future, and feel that if they leave their money for a definite charitable purpose, the changing conditions of the future may deprive that purpose of its usefulness and leave their gifts without a beneficent object. On the other hand, many persons fear that if they leave their money outright to a charitable institution to be used for its purposes, the management of that institution may not continue conservative and sound, and as a result the very principal of the gift may dwindle or even be entirely dissipated and thus the usefulness of the gift be impaired or entirely nullified. The Permanent Charity Fund affords an adequate means of meeting these difficulties.

The important provision of the plan is the method of distribution of the income of the fund, which will be in the hands of a committee consisting of men and women who are informed as to the charitable needs of the community, this committee to be selected, according to the Boston plan, by three prominent judges, the Attorney General of the Commonwealth, and the trustee corporation.

The interests of the devisors are thus fully safeguarded, in the management of the fund by a long-established conservative trust company and in the distribution of the income in a way that seems wisest to a competent committee at the time of distribution.

Changed conditions, of which there have been so many examples in the experience of trust companies administering special funds, are provided against by permitting the committee by a five-sevenths vote of the members to divert the application of income where the wishes of the donor have become unwise or impracticable.

The advantages of such a plan, the flexible application of the income, the safety and stability of the principal and the ability to gather up bequests and donations of all sizes and to translate them into practical, helpful assistance to the community will, it is expected, appeal to very many charitably disposed persons.

THE full text of the Agreement and Declaration of Trust under the Boston plan follows:

AGREEMENT AND DECLARATION OF TRUST

This agreement and declaration of trust made this seventh day of September, 1915, by Boston Safe Deposit & Trust Co., a corporation duly organized and existing under the laws of the Commonwealth of Massachusetts, hereinafter called the "Trustee," witnesseth that:

Whereas, it is desirable that the principal of any fund devoted to charitable purposes be placed in the safekeeping of a

permanent trustee in order that it may be safely, conservatively and intelligently invested to the end that the principal shall remain unimpaired, while, at the same time, a stable and reasonable income shall be produced; and

Whereas, it is oftentimes not feasible to determine whether or not a charitable object may continue indefinitely to be worthy, and it is desirable that the income of such a fund be applied from time to time to charitable purposes which shall be most deserving of assistance at the time such income shall become available;

Permanent Charity Fund

Now, therefore, the Trustee agrees and declares that it will accept and hold gifts made to it as Trustee hereunder, whether such gifts be made by gift *inter vivos* or by devise or bequest or otherwise, for the uses and purposes and subjects to the powers and duties hereinafter set forth. All property so accepted and held shall be designated as the "Permanent Charity Fund."

Powers of Trustee

First. The Trustee shall have full power and authority at all times to invest and reinvest the principal of this fund in both realty and personalty and generally to manage, care for and control the same with all powers necessary or convenient for such purposes. Without in any way limiting the generality of the foregoing, the trustee shall have the following powers:

To sell, exchange or transfer any or all and any part or parts of the said principal upon such terms and conditions and in such manner and form as it may deem best, and to execute, acknowledge, deliver and record any deed, contract, proxy, power of attorney, or other instrument relating to the same which it may deem necessary or advisable, and no purchaser, transferee or other person dealing with the trustee with regard to said principal shall see to the application of money or property paid to the Trustee;

To lease any or all and any part or parts of the real estate at any time held by it hereunder upon such conditions and for such term or terms as it deems best;

Upon the affirmative vote of three-fourths of the entire board of directors of the Trustee, at a meeting specially called for the purpose, to mortgage any real estate at any time held by it hereunder, to such an extent and upon such terms and conditions as three-fourths of its board of directors shall deem best;

To determine all questions whether any money or things coming into its possession shall be treated as principal or income, and to determine the mode in which the expense incidental to or in connection with the execution of the trust ought to be borne as between principal and income, and to apportion the same between principal and income as it shall deem just and equitable, and this power shall include, without the generality thereof being hereby restrained, the power to determine in case any investment shall at any time be at a premium in any bond or security for money or in any wasting investment so called, whether and to what extent and in what manner any part of the actual income of such bond, security or other investment shall be dealt with as principal with a view to prevent the diminution of the trust, and also the power to establish and maintain, in such manner and to such extent as it deems necessary or proper, a sinking fund or sinking funds to provide for payment or reduction of any mortgage upon any real estate at any time held by it hereunder.

The Trustee may retain any property, stock, bond or other security given to it hereunder as long as it deems advisable without being liable to any person for such retention.

The Trustee is fully authorized to exercise the powers and authority, whether discretionary or otherwise, herein given to it through agents or employees appointed by it, and to select and employ suitable agents and employees in and about the execution of the trust, and to pay their reasonable compensation and expenses, and also reasonable compensation for its own services.

The Trustee shall in no event be held liable for any neglect or wrongdoing of such agents or employees provided it exercised reasonable care in their selection; nor shall the Trustee be liable for any loss unless it shall happen through its own wilful default.

Second. The income of this fund, less proper charges, expenses and deductions, shall each year forever be applied to such charitable purposes as the committee hereinafter provided for shall in its own uncontrolled discretion from time to time select or determine. Without in any way limiting the charitable purposes for which said income may be used, the said committee may from time to time select or determine objects or purposes of benevolence or charity, public or private, including educational and charitable institutions, whether incorporated or not, and the relief of individual needs regardless of race, color or creed. Said committee shall, unless otherwise specifically provided, exercise all the powers, authority and discretion herein given to it through a majority of its membership.

Committee of Seven

Third. The committee to select or determine the objects and purposes to which the income shall be applied, hereinafter called the "committee," shall consist of seven members, each of whom shall be a

resident of the Commonwealth of Massachusetts, and preferably men or women interested in charitable work, and possessing a knowledge of the civic, educational, physical or moral needs of the community, preferably of but one of such needs, and in no event shall any person seeking or holding political office be a member of said committee, nor shall any person whose religious sect or denomination is the same as that of any two members of said committee, be eligible to membership thereon. Said seven members shall be chosen as follows:

One by the chief justice or the senior or presiding judge of the Municipal Court of the City of Boston or the court that may hereafter exercise the jurisdiction of said court in Boston.

One by the senior or presiding judge of the Probate Court of Suffolk County or the court for the time being having jurisdiction of the settlement of estates for the judicial district in which the city of Boston shall lie.

One by the senior or presiding judge of the United States District Court for the district of Massachusetts, or of the court that may hereafter exercise the jurisdiction of said court in the judicial district in which the city of Boston shall lie.

One by the Attorney-General of the Commonwealth of Massachusetts or the law officer of the commonwealth in whom may hereafter rest the supervision of charitable trusts in the commonwealth.

Three by the Trustee preferably to be designated from its board of directors.

If any question arises as to the official herein authorized to make appointments, or as to the qualifications of the persons appointed, the decision of the Trustee shall be final and conclusive with respect thereto. If any one or more of said officials fails to make appointments within thirty days after being notified in writing by the Trustee to do so, then the Trustee shall be authorized to make such appointments.

All appointments shall be for the term of five years and until the successor is chosen and qualified, except that the first appointment shall be made as follows:

One member by the Attorney-General, one year.

Two members by the Trustee, two years.

One member by the senior or presiding judge of the United States District Court for the district of Massachusetts, three years.

One member by the senior or presiding judge of the Probate Court of Suffolk County, three years.

One member by the Chief Justice of the Municipal Court of the city of Boston, four years.

One member by the Trustee, five years.

Vacancies in the committee caused by death, resignation, refusal or inability to serve or otherwise, shall be filled by the authority entitled to make the original appointment as aforesaid. In the event of failure to make such appointment within thirty days after receipt from the Trustee, of written notice of the vacancy, such appointment shall be made by the Trustee. If any member of the committee removes from the Commonwealth of Massachusetts, or fails for a period of six months to attend committee meetings, or seeks or occupies political office, he shall thereby automatically be disqualified, and upon written notice from the Trustee to the proper appointing authority, which notice shall be conclusive as to the fact of such disqualification, a vacancy shall be created which shall be filled as above provided. The secretary of the committee shall be appointed by and hold office subject to the will of the committee. The expenses of the committee, including such compensation to the secretary as the Trustee shall fix, shall be paid out of income, but the members of the committee shall serve without compensation.

The committee shall annually organize by the election of a chairman and such other officers as it desires and by the adoption of such rules governing its proceedings as it deems necessary or desirable. It shall keep complete records of its proceedings, copies of which shall be filed with the Trustees on or before the twentieth day of January in each year.

Disbursement of Income

Fourth. Disbursements of income shall, except as hereinafter provided, be made by the Trustee only and upon written orders signed by a majority of the committee, stating that said orders were authorized by votes passed at properly called meetings of the committee, and such written orders shall constitute full and complete authority to the Trustee for the disbursements therein called for. Failure of the committee for twelve months to file disbursement orders with the Trustee, shall empower the Trustee to exercise the powers and duties herein given the committee, and in that event to make disbursements of income without the above-mentioned written orders.

Fifth. Should a successor trustee or trustees be for any reason whatever appointed, created, such trustee or trustees shall have all the powers and duties, discretionary or otherwise, herein given the Trustee, and upon the appointment and acceptance of such successor trustee or trustees the trust fund shall vest in it, him or them without any further act or conveyance as if it, he or they had been the original trustee.

Sixth. In case a court of last resort shall decree that the provisions hereof requiring the approval of the committee to the disbursement of income, are invalid, the powers and duties herein given the committee shall thereupon be vested exclusively in the Trustee, and thereafter said committee shall act

in an advisory capacity only, and the written orders provided for in Article IV may be dispensed with.

Gifts for Special Charitable Objects

Seventh. The Trustee may accept gifts as to which the donor has expressed a desire that the income thereof shall for a definite or indefinite time be used for particular charitable purposes, and if such gifts are accepted the committee shall respect and be governed by the desires or wishes of the donor, provided, however, that if the committee shall, by a vote of five-sevenths of its entire membership, determine that, for the period named in the vote or until further action of the committee, it is contrary to the spirit or intent of the desires or wishes of the donor or that it is unwise or impracticable to apply the income to the purposes indicated by the donor, such desires or wishes shall not, during such named period, be binding upon the committee, and shall not prevent the application of the income, during such named period, to such other charitable purposes as the committee may, by a majority vote, deem advisable.

Eighth. The Trustee may accept gifts subject to directions of the donor to pay the income to individuals for life or for terms of years, and if such gifts are accepted, such directions shall be binding until the expiration of such lives or terms of years, and thereafter such gifts shall be held for the charitable objects and purposes herein set forth.

Incorporation of Committee

Ninth. In case the Trustee and the committee deem it desirable the committee may become incorporated as a charitable corporation under the laws of the commonwealth of Massachusetts for the purpose of administering the income of the fund, and of performing the duties and powers herein given to the committee, and the charter or by-laws of such corporation shall include, by reference or otherwise, such of the limitations and provisions hereof as relate to such corporation or its members, and such as relate to the committee or its members, and apply to such corporation or its members. The members of said corporation shall be appointed and all vacancies shall be filled in the same manner as provided for the members of the committee, and the provisions relating to the qualifications and disqualifications of the members of the committee shall apply to the members of the corporation. Said corporation shall act by a majority vote of its members except that where any act, approval or consent of the committee is required to be done, made or given by a certain fraction of the committee, such act, approval or consent shall be done, made or given by said corporation in accordance with a vote of the same fraction of its members. In general, all the provisions hereof relating to the committee and its members shall apply to said corporation and its members, except that the following provisions, although in conflict with the foregoing provisions hereof, shall govern:

(1) The net income available for charitable objects and purposes shall annually be paid over by the Trustee to said corporation to be by it distributed to and among the charitable objects and purposes herein set forth, subject always to the expressed desires or wishes of any donor as provided in Article VII hereof, and the Trustee shall not be responsible for the application of said income.

(2) The corporation may appoint such employees or agents as it deems necessary. The expenses of the corporation, including such compensation to the employees or agents thereof as the Trustee shall fix, shall be paid by the corporation out of the net income paid over to it, but the members of the corporation shall serve without compensation.

(3) The accounts of said corporation, showing receipts and disbursements on account of income and the condition of income on hand, if any, shall annually be audited by an auditor employed by the Trustee.

(4) In case such corporation should for a period of twelve months neglect or refuse to distribute the income paid over to it, the Trustee may upon written notice to said corporation remove any one or more of its members and appoint members of its own board of directors to fill the unexpired terms.

(5) In case a court of last resort shall decree that the provisions hereof relating to the incorporation of the committee are invalid, such provisions shall be deemed to be stricken herefrom and to be as if never inserted herein, and the committee shall exercise all its rights, powers and duties as fully as if it had never been incorporated; provided, however, that if the provisions hereof requiring the approval of the committee to the disbursement of income shall also in like manner be decreed to be invalid, the powers and duties of the committee shall be vested in the Trustee, and the committee shall become advisory only, as set forth in Article VI hereof.

(6) The Trustee and the said corporation may, if they deem it desirable, wind up and dissolve said corporation and upon such dissolution and thereafter the committee shall exercise all the powers and duties herein given to it as fully and completely as if said corporation had never been formed.

(7) Upon dissolution of the corporation under (5) or (6) the then members of the corporation shall be the then members of the committee as if the corporation had never existed.

Tenth. Each and every of the powers, purposes and provisions hereof, except as otherwise provided, shall be regarded as separate and distinct from every other power, purpose and provision, so that no one shall be limited by reference to or inference from any other, and the enumeration of specific purposes and powers shall not be construed to limit or restrain in any manner the meaning of general terms. If a court of last resort shall decree that any of the powers, purposes or provisions hereof are invalid, this shall not in any wise limit any other power, purpose or provision hereinbefore granted, but only such power, purpose or provision so decreed to be invalid shall be limited, and all other powers, purposes and provisions herein granted, shall be unmodified thereby.

Bond

Eleventh. Neither the Trustee nor any successor trustee or trustees shall be required to give bond or any surety upon a bond for the faithful performance of the trust hereby reposed in it, him or them.

Twelfth. The Trustee may, by a vote of four-fifths of the entire number of its board of directors and with the approval of five-sevenths of the committee and with the assent of the Attorney-General of the commonwealth of Massachusetts or the law officer of the commonwealth who may hereafter have the supervision of charitable trusts, change the name of this fund, the methods of distributing income and other details of the machinery of administration, but no such change shall in any way alter or abridge the charitable objects and purposes of the trust.

Thirteenth. This agreement and declaration of trust may be printed and executed in as many copies as seem desirable, each one of which shall be an original and, as such, entitled to record. At least one copy shall always be kept on file and open to public inspection in the office of the Trustee.

Fourteenth. Any marginal notes which are inserted are for convenience of reference only, and shall not affect the construction of this agreement and declaration of trust.

Popularity of the Bank

By DOUGLAS E. PETIT

"Popularity is an invisible, intangible bank asset, and is within the reach of any set of men bent on achieving it."

WHAT is a popular bank? I define it as one that people like to do business with. There must be some reasons why people like to do business with a particular bank, and I shall try to point out what they are in my judgment. I am not going to take into consideration the element of success represented by earnings or surplus. A popular bank may not be the successful one measured by that standard.

There was a time within my recollection when little attention was paid by bankers to this phase of the banking business. Now all sorts of methods are used to court the popular favor, and the bank that fails in this respect is bound to drop behind in the race. Whether the extensive advertising now indulged in by many banks is profitable or commendable is, in my mind, a debatable question; but it shows that the banker, like the grocer, the baker and the candlestick-maker, is awake to the fact that the attention of the public must be drawn to the advantages offered by his bank.

Banks used to be content to do business in any kind of quarters. Now the pendulum may be swinging too far the other way. Still, I believe that fine, commodious and even luxurious banking rooms help a bank. Customers

take pride in the thought that their bank is superior to others in this respect; just as some people select a church for its beauty and architectural superiority.

There is no question that the personality of the officers may add or detract from the popularity of a bank, but let them be ever so helpful, courteous and obliging, when you stop to consider how few of the customers come into contact with them, or make their acquaintance, it will have to be admitted that their direct influence is small. This is especially true of a savings bank. In our bank, with over 53,000 depositors, I venture to say that not one thousand are acquainted with the officers and not many know, or care, who they are. Officers, too, come and go without any apparent effect upon the business of a bank. Now, if the gilt and the glitter, the uniformed attendant, and even the bank officials don't count for much, what does? My answer is that the determining factor lies at the point of contact. If a depositor gets frosty treatment at the desk, what does he care how fine the building is or who the officers are? He goes away with a grouch buttoned up under his jacket, condemning the whole outfit.

I, therefore, say without reservation, that the public approval, or disapproval, of a bank rests almost wholly in the hands of the tellers and other members of the force whose duties bring them into contact with the depositor.

The position of teller is an exacting one. It takes all kinds of people to make a world and all the different kinds come to a bank. A teller who thinks that his duty is done when his cash balances and his entries are made, had better look for another job. He must be accurate, of course; so must an adding machine. A good teller will size up at a glance the man or woman before him. He must be a student of character. A line of conduct agreeable to one person might be impertinence to another. A joke will go with one and be superfluous with the next customer. Some people act as though they were conferring a favor on the bank by making a deposit. Well, so they are. Encourage the idea. If a man wants to draw his money don't give it to him grudgingly as though he had no right to it. It's his and he has a right to draw it. It isn't of much importance how a teller feels toward the customer. It is of importance whether the customer is pleased or disgruntled with his transaction.

Loss of temper is inexcusable in a teller, no matter what the provocation, and I admit provocation is frequent. There are more cranks outside of the desk than on the inside. Patience and courtesy must never fail. A bank employee may better be just a little more courteous and kind than the case demands than to fall short of it. He must not forget that he personally is the custodian of one of the bank's best assets—popularity. He will make it his business to please the customers without any distinction of persons. He will be as affable to the poor as to the rich, to the poorly clad as to the well dressed, and to the ignorant as to the more fortunate ones. He can do all this without sacrificing one iota of his self-respect.

He shouldn't overlook the important fact that the better he serves his employer the better his own prospects and pay.

It may be that I've pictured the impossible teller; but the nearer he comes to the ideal, the better he fills his job. Let this sort of spirit get hold of a bank force and it will communicate itself to the customer, and he will tell of it to his friends.

Popularity is an invisible, intangible bank asset and is within the reach of any set of men bent upon achieving it.

Editorial Note.—Does not Mr. Petit expect too much in asking that the hard-worked tellers shall show courtesy to the bank's patrons when the officers, with more leisure, are apparently indifferent to them? Wouldn't a better beginning be made toward instilling the courteous spirit in the bank if the officers themselves were at a little more pains to enlarge the point of contact with the public?

A Method of Proving the Semi-Annual Trial Balance

By F. H. WILLIAMS, Assistant Treasurer Albany City Savings Institution, Albany, N. Y.

THE method herein described is in use in the savings bank where the writer is employed and has given such satisfaction that it is passed along in the hope that some fellow-worker may find use for part if not all of the system. Ours is a mutual savings bank with approximately 14,000 accounts on which we pay interest January 1 and July 1. Deposits draw interest from the first of each month, thirteen days being allowed for deposits in January and July and three days for the other months. Our regular office force consists of two tellers, one clerk, and the assistant treasurer, who directs and works along with the others when the time comes for taking the trial balance. With these four workers we list and prove about 14,000 accounts, divided into twenty sections, doing the work during our regular business hours (8.30 a. m. to 4 p. m.) working overtime one hour a day for three days.

THE FIRST PRECAUTION

FOR the July period, we start about May 17, taking the ledger cards (for we use the card system) and glance over the additions and subtractions that have occurred by reason of deposits or withdrawals made since the last proof. We do this at a time when business is dull and in so doing we catch and correct any little errors that may have been made during some busy days of the past six months. We are then reasonably sure the balances are right on the cards. This work takes about three days, and on May 20 we begin the real work.

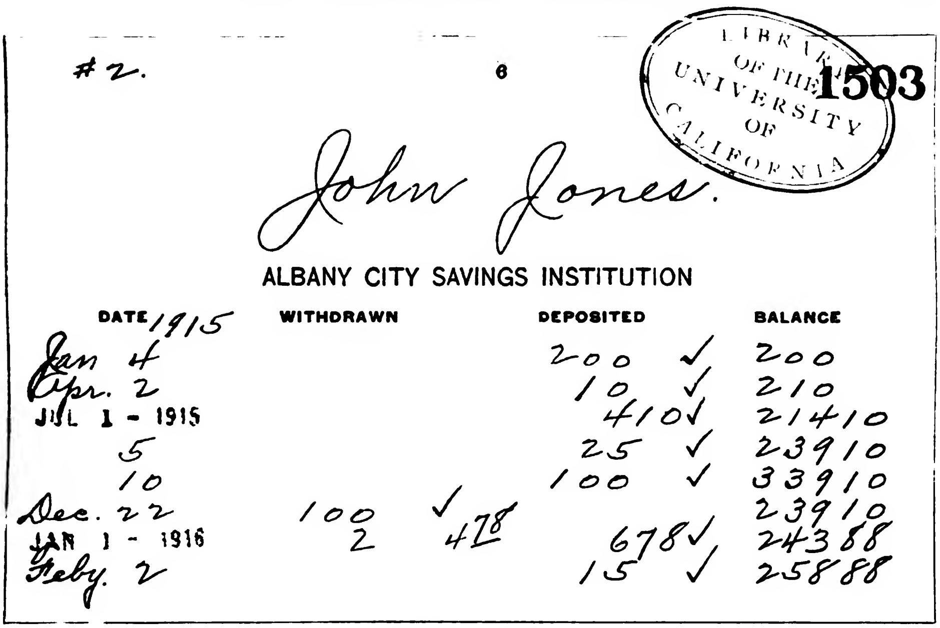
LISTING THE BALANCES

STARTING with the old inactive accounts and using balance sheets (see illustration No. 1) ruled for number of account, balance, amounts earning interest for six, five, four, three, two, one month and amounts not earning interest, also a column each for interest and deductions, the number of account is set down and the balance, which is at once subdivided into the proper columns of amounts earning interest. When all balances are abstracted, the work of checking back the balances begins. Each clerk checks another clerk's work and checks the balance from the card to the balance sheet and at the same time looks to see if the correct amounts are subdivided in the right columns to receive interest.

The changes made by reason of deposits or withdrawals for the few days occupied in this abstract work are made at this checking and any errors are also corrected. After the checking is completed, the changes are made at the end of each day for the few remaining days. We have this work all finished on the last of May and prove the ledgers as of that date.

THE PROOF

WE are now ready to start the proof on June 1. During the day, as we have the opportunity and after bank-


#2. 6

John Jones.

ALBANY CITY SAVINGS INSTITUTION

DATE 1915	WITHDRAWN	DEPOSITED	BALANCE
Jan 4		200	200
Apr. 2		10	210
JUL 1 - 1915		4 10	214 10
5		25	239 10
10		100	339 10
Dec. 22	100		239 10
JAN 1 - 1916	2 4 78	6 78	243 88
Feby. 2		15	258 88

ILLUSTRATION NO. 1

ing hours, the columns headed "balance" are run off on the adding machine and the other columns to the right are footed by hand. The cross-footing of these columns at the bottom added together should equal the total balances on that sheet, thus proving each sheet separately, and running the total of the balances of each sheet gives the total footing for the ledger. Working in this manner on June 1, 2 and 3, with one hour overtime each day the proof is finished on the afternoon of June 3.

ADDITIONAL INTEREST FOR FIRST THREE DAYS OF JUNE

UNDER our by-laws, we must pay interest from June 1 on all deposits made on the first three days of June, so instead of holding up the proof and making the numerous changes which would occur from the large number of transactions on the first three days of June, the proof is taken and the amount of a deposit made on those days is listed in the one month column on the balance sheet with red ink opposite the correct number. (Red ink figures in the accompanying illustration are indicated by a circle around the amount.) These amounts are then added to the total of the one month column, using red ink. The use of red ink shows that the amounts so written do not enter into the proof but are only for the purpose of figuring interest.

Everything is now in proof and we begin to breathe a little easier. Although the proof comes easily as a rule sometimes, as every banker knows, there may be a snarl somewhere to unravel and there is always a certain amount of excitement and anxiety about this kind of work.

COMPUTATION OF INTEREST

THE interest on the accounts of the accompanying illustration are figured at the rate of four per cent. Using the Delbridge four per cent. interest board, we will take the second account at the top of the page. Balance, $900.

Interest on $500 for 6 months........	$10.00
Interest on 300 for 5 months........	5.00
Interest on 70 for 3 months........	.70
Interest on 90 for 1 month.........	.30
Total	$16.00

A good plan is to figure first the accounts with amounts in the scattered months, which will insure against an error in skipping an amount in the subdivision; then go back and figure the amounts for six months even, for which a table is not needed; the amount multiplied by two and point off two places will produce the result. For three months multiply by one and for one month divide by three.

Each sheet of interest can be proved separately as follows

Footing the amounts in column marked "Interest" we have $301.29. Interest on $13,770 (leaving off off the cents), total amount earning interest for six months........	$275.40
Interest on $550 total amount...... (Earning interest for 5 mos.)	9.16
Interest on $400 total amount...... (Earning interest for 4 mos.)	5.33
Interest on $680 total amount...... (Earning interest for 3 mos.)	6.80
Interest on $400 total amount...... (Earning interest for 2 mos.)	2.66
Interest on $600 total amount...... (Earning interest for 1 mo.)	2.00
Total	$301.35

We seem to differ six cents, but this is accounted for in the footing of the cents in the six months column, amounting to $3, which is carried into the dollar column and interest figured on it in making up the proof. Deduct interest on $3 for six months, which is six cents, from $301.35 and we have $301.29 and prove.

Every sheet will not prove to a cent as this one did; the very active ones with numerous subdivisions will sometimes differ five or six cents which are accounted for in the fractions of figures in the odd months, but if the proof is as near as that neither the bank nor the depositor will lose or gain more than the price of a jitney bus fare. In this manner each sheet of work can be proven separately.

DEDUCTIONS FROM INTEREST

BY taking our proof on June 1 and making provision for deposits made on the first three business days of June, we have completed our work as far as we have gone but we still have to take into account the withdrawals for the month of June. All depositors making withdrawals up to and including June 27 forfeit their interest on the amount withdrawn. We will therefore assume that the third account from the top on our illustration had a withdrawal of $100 between June 1 and June 27. A deduction of 33 cents is made in the column headed "Deductions from Interest," this being the amount of interest on $100 for one month. If this amount had been drawn in installments of $25 or $50 at a time it would be necessary to erase the deduction and put in the new figures each time. The deductions are figured and listed from the withdrawal register at the end of each day. When the last day for deductions is passed each sheet may be footed separately or the amounts may be all run on the adding machine and the run-off pasted on the last sheet of each ledger.

POSTING THE INTEREST

ABOUT the middle of June, after the interest is all figured and proven, it is posted on the ledger cards and called back. It is then added to the total balance and brought down. If there are any deductions from interest they are posted in the withdrawal column and the net interest noted by lead pencil figures which are added to the balance. (See illustration No. 2.) All the interest is posted, called back and extended by June 27, the first day when it may be withdrawn.

The work of taking the trial balance and proving it, the computation of interest and the proof of each sheet and the deductions from interest on account of withdrawals are now finished, and one of the most testing and trying times in the work of a savings bank is passed only to enter into another strenuous period in a day or two when mails are heavy and transactions over the counter are numerous. But after a few days the work slackens and the vacation or the annual meeting are happy events to

Amounts Due Depositors in THE ALBANY CITY SAVINGS INSTITUTION,

No. of Account	Deductions from Interest	Interest	Balance	Amounts on Interest for 6 months	5 months	4 months	3 months	2 months	1 month	Amounts not earning interest
45682		20	1000	✓ 1000					60	
3		16	900	✓ 500	300		70		30	
4	33	13 65	900	✓ 400	100	100	100	100	200 100	
5		2	100	✓ 100						
7		1	50	✓ 50						
9		2	100	✓ 100						
90		08	4 25	✓ 4 25						
1		13 42	671 50	✓ 671 50						
4		25 50	1275	✓ 1275						
5		60	3060	✓ 3000						60
6	2	8 44	422 30	✓ 422 30						
7		5 74	287 62	✓ 287 62						
9		8 42	421 75	✓ 421 75						
700		19 34	967 80	✓ 967 80						
2		8	400	✓ 400						
3		12	600	✓ 600						
4		20	10	✓ 10						
5	20	60	30	✓ 30						
6		20 24	1012 50	✓ 1012 50						
9		1 50	75	✓ 75						
10		1 36	68	✓ 68						
1		20	1000	✓ 1000						
2		10	5	✓ 5						
4		40	20	✓ 20						
6		8	400	✓ 400						
7	3	9	600	✓ 300			300			
8		16	1000	✓ 500		300	200			
9		7	700	✓ 100	150			300	150	
20		50	80	✓ 10			10		60	
1		80	40	✓ 40						
	5 53	301 29	16200 72	13770 72	550	400	680	400	~~340~~ 600	60

ILLUSTRATION NO. 2

look forward to. A simple and carefully worked out system yet complete will go a long way in making the work of a bank clerk a little less burdensome.

The principal thing in this particular part of savings bank work is to have everyone in the bank help. The tellers as well as the bookkeepers and clerks should be made to feel that they are to lend a hand when not occupied with their own work, and if a feeling can be created among the bank employees that they want to see this work done accurately and quickly and out of the way as soon as possible, there will be no long hours and sleepless nights as there are when the work falls on a few, or when each one wants to do no more than his neighbor.

THE only provision some people make for a rainy day is to acquire another's umbrella.

—"Paragraphs on Thrift," By Frank C. Mortimer.

Banking and Commercial Law

CASE COMMENT AND REVIEW

Skyscrapers and Lawsuits

A BANK, like an individual, wishes to be well housed. It well becomes it to live in keeping with its dignity. Some banks, like individuals, cannot afford the home they aspire to, and other banks are so rich that they can afford to build a handsome structure, but don't want to spend the money, preferring that someone else should build for them, they occupying the choicest part as their banking office, leaving it to the owner to get the credit for owning a skyscraper and incidentally doing the worrying.

The Fourth National Bank of Nashville, Tenn., is a strong bank and highly prosperous. It outgrew its quarters and was contemplating the erection of more commodious accommodations. It did not think well of the proposition of investing a large amount in a building, preferring to pay rental than to take this risk. It therefore entered into agreement with a certain promoter, by which it subscribed to stock in a building corporation with the agreement that he would purchase the stock back during a certain period. The building cost about $875,000, the bank taking large and commodious quarters on the ground floor at a substantial rental. The stock was subscribed for and taken, the building erected and the bank sought to enforce the obligation of the promoter to take back the stock, and litigation ensued. The question as to whether the contract of the promoter to take back the building company stock is enforceable or not is discussed in the case of Fourth National Bank vs. Stahlman in this issue.

Leading Case

Ultra Vires

Tennessee

Contract to Purchase Stock—Unpaid Dividends Account Stated—Lender —Release of Securities—Transfer of Stock.

Supreme Court of Tennessee, July 6, 1915.

FOURTH NATIONAL BANK OF NASHVILLE VS. STAHLMAN ET AL.

A contract between a national bank and the promoter of a building corporation, whereby the promoter was to purchase from the bank stock subscribed for by it, was not ultra vires of the bank, the stock having been taken by the bank as part of a transaction for the renting of banking quarters.

Under Rev. St. P. S. Sec. 5137 (U. S. Comp. St. 1913, Sec. 9674), providing that a national bank may purchase and hold real estate necessary for its immediate accommodation in the transaction of its business, and section 5136 (section 9661), providing that such bank may exercise all incidental powers necessary to carry on the business, a national bank may acquire and hold stock in a building corporation as part of a transaction for renting desirable banking quarters; good faith being the test whether such investment is legitimate.

While it is unlawful for a national bank to deal in stocks, it may loan money on shares of other corporations, and in order to collect the debt may purchase the stock, or may acquire it to protect itself against loss in compromising a doubtful liability.

Where a bank rendered a statement containing separate items of indebtedness in response to a debtor's request, and the latter thereupon made a tender of the amount stated, that the bank had erroneously omitted a particular item from the statement did not estop it from suing thereon; no one having been prejudiced by the making of such statement. (178 S. W. Ref.)

APPEAL from Chancery Court, Davidson County; John Allison, Chancellor.

Separate suits by the Fourth National Bank of Nashville against E. B. Stahlman and wife and against the Nashville Banner Publishing Co. and others. From a decree for petitioner, defendant Stahlman appeals. Affirmed and remanded.

STATEMENT OF FACT

THESE two suits were tried together upon the same facts and involving the following questions:

The Fourth National Bank of Nashville, Tenn., was a highly prosperous and growing concern. It owned its own banking house, situated upon Third Avenue North in the city of Nashville, and a short distance south of Union street, but this house was not adequate to the increasing demands made upon it for banking facilities. This location was in the center of the financial district of the city, and was considered a very desirable location, but there was another lot on the corner of Third avenue and Union street, owned by the defendant E. B. Stahlman, which was considered a better location for a banking business than that owned by the bank. This corner lot was an old banking site which had been used for such purposes since before the Civil War. The Fourth National Bank at first had in view the construction of a banking building upon its own lot, and appointed a committee as early as 1902 to consider the question of remodeling the old building, or the construction of a new building in order to secure a larger banking room and more commodious quarters. This committee visited a number of citics in the North and East and examined up-to-date banking buildings. The bank considered the question of purchasing adjacent lots of land in order to give it additional room for a larger building. These matters were considered by the committee and the officers of the bank, and postponed from time to time until in the year 1905.

In that year Major E. B. Stahlman approached the bank on the subject of acquiring the adjacent real estate belonging to the Fourth National Bank and other adjacent lands to his corner lot on Union street and Third avenue, and snggested tearing down the old buildings and erecting a modern 12-story office building on the corner, with large and elegant banking room immediately on the corner, on the first floor of the building, with vaults and other necessary rooms to be occupied by the bank under a long lease. He offered to promote a corporation for this purpose, and suggested that the bank convey its lands to the corporation at the price of $58,000 to be paid for in the preferred stock of the building corporation, and that the bank would also loan $45,000 for the purpose of assisting in the construction of the building upon long-time notes. He desired this $45,000 to be secured by the stock in the corporation. The bank refused to make the loan upon the terms desired, because it was not according to its custom of business. Major Stahlman next proposed that the bank subscribe for this $45.000 of stock, and he would buy the stock back from it at stated intervals, and in order to guarantee that he would carry out the contract, he would give security other than the stock itself.

The building contemplated a total investment of about $875,000, and it was suggested that the preferred stock should amount to $400,000, and that common stock would be issued to an amount to be agreed upon later. On April 12, 1905, these suggestions were embodied in a contract signed and exe-

cuted by Major Stahlman, as promoter, and the bank, and the agreement was that the stock to be taken by the bank should be preferred, and providing a guarantee cumulative dividend of 6 per cent. per annum, the dividends to begin when the deed was made for the real estate, as to the stock for the purchase of the lots, and to begin when the money should be paid by the bank, as to the $45,000 of subscription stock. It was provided that the bank should have certain desirable quarters on the first floor and in the basement at a rental of $12,000 per annum, for a period of ten years and renewable at that price for another ten years. For other periods extending the whole time of the right to lease to fifty years, the bank should have the option and the terms to be agreed upon or fixed by arbitration.

The promoter agreed that he would bring out a corporation for these purposes, and that it would expend not less than $40,000, nor more than $45,000 for vaults, railings, counters, desks, marble fixtures, decorations of ceiling and walls, etc., according to plans to be selected by the bank. The banking room was not to be less than 4,500 square feet in the clear, and also in connection with the banking room there would be constructed and furnished 3,000 square feet in the basement, to be arranged, subdivided, and equipped to the best needs and convenience of the bank.

It was further stipulated that the bank should have the right to transfer and assign its lease and renewals thereof, but that the said building corporation to be brought out should not rent any space in the building to any other bank, person, firm or corporation doing a banking business, and giving the Fourth National Bank exclusive banking quarters. A time limit wtihin which these things should be done was agreed upon. This time limit was further extended on July 20, 1905, and further stipulations concerning the contract were then entered into. On April 5, 1906, the final agreement was concluded, reciting these former agreements, making it the final contract between the parties.

Mollie T. Stahlman, the wife of E. B. Stahlman, joined in this final contract, and it was provided that, in consideration of the payment of the subscription of the Fourth National Bank of said $45,000 of capital stock, the said Stahlman and wife would buy from the bank, and the bank agreed to sell to the said Stahlman and wife the said $45,000 of capital stock at par or face value thereof, to be taken and paid for at intervals from December 1, 1909, to December 1, 1912, and provided, further, that if any dividends upon said stock remained unpaid at the time of said purchases, Stahlman and wife were to pay the accumulated dividends, which were to be at the rate of 6 per cent. per annum, or one-half per cent. per month. Said E. B. Stahlman and wife were to have the right at any time to take up and pay for the stock at the price stipulated, and they deposited with the bank insurance policies on the life of E. B. Stahlman, legally assigned to the bank, to an amount equal to $45,000.

This building corporation had, in the meantime, been organized as the Mecklenburg Real Estate Co., a conveyance had been executed by the bank prior to this final agreement, conveying the real estate to the Mecklenburg Co., and the building was then in process of erection.

The bank reserved the option to sell and dispose of the $45,000 of stock subscribed for by it at any time to any persons, but it was agreed that Stahlman and wife, or either of them, should have the option to buy said stock at par and accumulated dividends at any time or times before the bank sells it to others, and in order that this might be done, at least thirty days' notice of the desire of the bank to sell the stock or any part thereof shall be given Stahlman and wife before the bank shall have the right to sell to others.

Is the contract of Stahlman and wife of April 5, 1906, under the circumstances of this case, to buy from the bank this $45,000 of stock for which the bank had subscribed, enforceable?

This is the leading issue in the litigation. It is insisted by the defendants that a national bank cannot take stock in another corporation because it is against public policy, ultra vires the powers of the bank, and the contract, still being executory, cannot be enforced; also that the contract for the purchase of the stock by Stahlman is unenforceable for want of a valuable consideration; that the so-called agreement to purchase was a mere option, with no corresponding obligation on the part of the bank to sell to Stahlman; and if enforceable at all, accumulated unpaid dividends, or interest, cannot be recovered as upon a loan, as the bank contends; that upon any construction of the rights and obligations of the parties, the provisions in the contract for security are exclusive, and that collaterals held by the bank on other loans cannot be retained to cover this liability.

Major Stahlman owed the bank a number of loans made to him and the Banner Publishing Co., and others for whom he was security, and on one of these notes of $24,400, the bank held as collateral security a block of 100 shares of stock in the Banner Publishing Co. said to be very valuable. These various notes held by the bank contained general printed stipulations that the pledged securities—

"shall be applicable in like manner to secure the payment of any other obligations of the undersigned, whether past or future, held by the holder of this obligation. All such securities in their hands shall stand as one general continuing security for the whole of such obligations so that the deficiency on any one shall be made good from the collateral from the rest."

The position of the defendant is that this collateral security agreement will not be construed as applying to secure contracts or obligations different in nature from those for which they were placed, but only those of like kind; that is, on promissory notes or purely banking obligations.

The suits originally involved a number of questions, many of which are now eliminated. A short time before the suits were brought the bank made a call on Major Stahlman to pay, by a given day, all his obligations, including large bank loans, and the stock purchase debt with dividends thereon, which had not been paid by the Mecklenburg Co.

Major Stahlman thereupon demanded an itemized statement of all these debts, which was furnished by the bank, and he then, on the date demanded by the bank, tendered to the bank full amount claimed, except the amount claimed under the $45,000 stock purchase agreement, and demanded the surrender to him of all collaterals held on the note for $24,400, which tender the bank refused, on the ground that it did not include the amount under the stock purchase agreement.

After the suits, however, Major Stahlman did pay, either to the bank direct or into court, all these bank debts, leaving only an item of interest which had been omitted in the statement by the bank and the stock purchase debt unpaid.

The chancellor held that Major Stahlman was liable on his contract to purchase the stock and for dividends thereon, and that the complainant was entitled to hold all collaterals, decreed a sale of them to pay the judgment, and for the costs of the case. He released Mrs. Stahlman on a plea of coverture, and held that the bank was not entitled to recover attorney's fees on a note of $24,400, as provided on its face, on the ground that Major Stahlman tendered payment in full on this note. Judgment was had on all these loans due the bank, to be credited by the money in court under the tenders.

Defendant Stahlman appealed to this court.

OPINION OF THE COURT

FANCHER, J.: We will now consider the stock purchase agreement of April 5, 1906.

It is urged by defendant that the

bank actively aided in the promotion of the Mecklenburg Co., dictated its affairs, had placed on its board of directors and among its officials numbers of the bank officials and patrons; that its cashier's letter was attached to the prospectus, and it otherwise actively secured subscriptions to stock; that its own stockholders to a large number became stockholders in the building concern; that it dictated a limit on the issue of common stock; required Stahlman to give his proxy to the bank to vote $100,000 of the common stock for a period of five years, and that this was not a good-faith transaction by the bank; that it had ample real estate upon which to build a structure of its own, and various circumstances are urged why it was not necessary to take stock in the Mecklenburg Real Estate Co.

The bank had a capital of $600,000 and its undivided profits and surplus amounted to about $528,000. It could have built on its own property and thus secured a house adequate to its needs for about $225,000. But the officials of the bank show that such a building would have depreciated in value as time progressed more than the lot would have become enhanced, and that the economical and businesslike thing to do was to do as they did, secure a more suitable location in a large and handsome office building at a smaller outlay of cash.

The bank officials had something to say about how the building should be constructed and the contemplated cost and use of same, but no harm was done any one in this. The fact that several persons interested in the bank were also interested to a small extent in the Stahlman building is within itself no evil.

The proof is abundant that it was not the purpose of the bank to promote a sky scraper building, or to own and control stock in such a structure, further than was absolutely necessary in order to procure an adequate and suitable banking home, commensurate with the growing needs of this thriving institution, situated, as it was, in a growing city. Its paramount purpose in selling the ground and in taking in pay therefor stock in the Mecklenburg Real Estate Co. and subscribing the stock of $45,000 in this company was to avoid expensive building, preserve its large surplus, and to secure for a term of years the use of the handsome and commodious banking quarters provided for in the contract.

The question arises: was the purchase of this $45,000 of Mecklenburg stock by the bank so far in excess of the real powers of a national bank as to put it without the law and forbid its enforcement of the contract to dispose of this stock?

National banks are organized under federal statutes and controlled thereby, and this is a federal question, to be determined under the decisions of the federal courts. California Bank v. Kennedy, 167 U. S. 362; Mapes v. Scott, 94 Ill. 379, 62, 12; Talbot v. First National Bank, 185 U. S. 172, 22 Sup.; Portland Nat. Bank v. Scott, 20 Or. 421.

The federal statute provides that a national bank:

(1) May purchase and hold such real estate as is necessary for its immediate accommodation in the transaction of its business (R. S. section 5137); and

(2) May exercise all such incidental powers as shall be necessary to carry on the business, etc. (R. S. section 5136).

A leading federal case touching this questions is Brown v. Schlier, 118 Fed. 981, 55 C. C. A. 475. A national bank in Denver leased a lot from Schlier on which to erect a four-story building and to cost not less than $100,000, the building to become the property of Schlier. The bank agreed to pay an annual rent of $13,975. The building was to contain banking quarters, and the other parts of the building were to be used as offices and rented out by the bank. The term of the lease was for ninety-nine years with a right to renew for fifty years. The bank erected a building costing $305,000

though its capital stock was but $300,-000.

Upon litigation involving the question as to whether the lease was ultra vires, the Court of Appeals (Eighth Circuit) said:

"That a national bank may purchase a lot of land and erect such a building thereon, as it needs for the accommodation of its business admits of no controversy under the language of the statute, and we perceive no reason why it may not likewise lease property for a term of years, and agree with the lessor to construct such a building as it desires, provided, always, that it acts in good faith, solely with a view of obtaining an eligible location, and not with a view of investing its funds in real property or embarking them in speculations in real estate. Nor do we perceive any reason why a national bank, when it purchases or leases property for the erection of a banking house, should be compelled to use it exclusively for banking purposes. If the land which it purchases or leases for the accommodation of its business is very valuable, it should be accorded the same rights that belong to other landowners of improving it in a way that will yield the largest income, lessen its own rent, and render that part of its funds which are invested in realty most productive. There is nothing, we think, in the National Bank Act, when rightly construed, which precludes national banks, so long as they act in good faith, from pursuing the policy above outlined."

Though the lot was leased for 100 years to erect a larger house than the bank could use, and for the purpose of renting most of it to tenants for office purposes, and did erect a building costing more than the capital stock of the bank, it was not ultra vires, because it was a question of a good-faith transaction, in which the bank secured a desirable banking house and incidentally so constructed the building as to make it of profit to the bank. That case was taken to the Supreme Court of the United States, where this holding was not disturbed, though the case was there disposed of on another proposition.

The case of Brown v. Schlier is referred to, and the principles there decided adhered to by other courts. It is well settled that a national bank has power to lease or purchase real estate for the purpose of obtaining good banking quarters when the transaction is in good faith and solely for that purpose. If a national bank makes an unauthorized purchase of real estate, it is held that the federal government alone can object. * * *

The federal courts have given a broad and liberal interpretation to the National Banking Act. Though the act limits the holding of real estate to such "as shall be necessary for its immediate accommodation in the transaction of its business" yet when there is no ulterior purpose, the directors and officials are given latitude in determining the question.

It is not objectionable that a bank uses its necessary real estate in such way as to put it to the best use posible, consistent with good business judgment.

The proposition is undisputed that one corporation cannot invest its money in the stocks of another corporation, as a general proposition, but this is on the ground that it is unlawful as tending toward monopoly, or as being speculative and outside the scope and purpose of its organization, and not permitted as a matter of public policy. * * *

That it is unlawful for a national bank to deal in stocks will not be disputed. This, while not prohibited by the national banking laws in express terms, nevertheless the prohibition is implied from a failure to grant the power. First Nat. Bank v. Exchange Nat. Bank, 92 U. S. 122, 128; California Bank v. Kennedy, 167 U. S. 362, 17 Sup. Ct. 831.

A national bank may loan money on shares of other corporations and in order to collect its debt purchase the stock, or it may acquire such stock in protecting itself against loss in compromising a doubtful liability. Ger-

mania Nat. Bank v. Receiver, 99 U. S. 629; First Nat. Bank v. Exchange Bank, 92 U. S. 122.

So, after all, it is a question of good faith in determining whether a national bank has made an improper investment, and whether the investment was in pursuance of its proper and legitimate banking operations under the limitations imposed by the federal laws.

The object is of the restrictions on a national bank to hold real estate or to become interested therein are to keep the capital of the bank flowing in daily channels of commerce; to deter it from engaging in hazardous real estate speculations; and to prevent the accumulations of large masses of such property in its hands to be held as it were in mortmain. The intent, not the letter of the statute, constitutes the law. National Bank v. Matthews, 98 U. S. 621.

The bank could have built an office building in order to provide a banking home; why could it not effect the same purpose by expending a small fraction of the necessary money, paying a reasonable rental thereafter? Suppose it had built the entire structure. It appears that the investment has not paid dividends, and the stock is quoted at only about 50 cents on the market. It did a more businesslike thing. It conserved its resources for doing a banking business instead of embarking in a course of extravagant building. Did the provision that Stahlman should repurchase the $45,000 of stock render the proposition odious to a sense of the legitimate scope of the undertaking? Did it not rather tend less toward monopoly and bad public policy to provide a plan by which this stock should be merely taken for the time being in order to enable Major Stahlman to construct the building and then at a later period relieve the bank of the ownership?

Granting that appellant is correct in his position that a bank cannot acquire stock in other corporations for other than those legitimate purposes connected with the prosecution of its strictly banking business, yet a reasonable interpretation of that principle must be had. This position is based upon the idea that this purchase of stock in the Mecklenburg Company was in aid of a pure promotion scheme and in order to control and dictate the affairs of that company. The premise is not well founded. The fact was not that way. The principles contended for are wise when applied to the reasons to be attained. But we must not lose sight of the reason back of the law. The restriction sought to be invoked here has its inception as a preventive of monopoly and other grave dangers. One railroad cannot purchase stock in a competing line because the tendency is toward monopoly. A bank is not permitted to purchase stock in another bank because it may tend toward monopoly. A national bank cannot buy real estate not needed in its banking business because the statute creating it has not permitted, on grounds of public policy, so as to confine its operations within the channels so much needed in the world of finance, and to render it at all times a purely banking institution. No reason has been suggested, and we believe none can be, why a national bank should not be permitted to own a small minority of stock in a building concern in order that it may better its own condition and render it a greater institution for the purposes of its creation. The reasons back of those cases cited by appellants, holding acts of banks and other institutions ultra vires are wholly wanting. This stock was taken as a business measure to get the best banking house possible, in the most reasonable way, as seen by its officials.

If a national bank can buy expensive real estate in a banking district where real estate is costly, and then in order to so use its property as to make it a paying proposition instead of a losing one, as it can clearly do under the well-settled federal authorities, we see no reason why its officials may not be permitted a reasonable discretion in doing a lesser act, to take reasonable stock to get a desirable banking home. If it may build or lease a structure for that purpose, why may it not take a

smaller interest, such as undivided interest, or subscribe for stock in order to reach the same result?

We therefore conclude that the chancellor did not err in holding that the contract of Stahlman to purchase this $45,000 of Mecklenburg stock was not ultra vires the bank, illegal, against public policy, void, and unenforceable.

This disposes of the first assignment of error.

The second assignment of error raises the question as to whether there was any legal and valid consideration to said stock purchase contract. Defendant says that the only consideration is recited on the face of that contract, viz., that complainant bank would pay its subscription to the Mecklenburg Real Estate Company for the stock theretofore made by it. It is said this is no consideration, because if its agreement to take this stock was not void, it was simply an agreement to pay its own obligation to the corporation, and that this could be no consideration moving between the bank and Major Stahlman. The contract recites the consideration as above stated, but it is very apparent that this was not the only consideration. The obligation was mutual that the bank would sell and Stahlman would buy at par, with accumulated dividends added. So it may be more correctly said that the real moving consideration was not only that Major Stahlman was willing to purchase the stock if the bank would subscribe and pay the building corporation he was promoting therefor, but the agreement of Major Stahlman to purchase was a consideration for the agreement of the bank to sell. This assignment is therefore overruled.

The third assignment of error is that the stock purchase contract was not an absolute agreement to sell the stock at the prices and times stated therein, but only an option to defendant and his wife to take it at the prices and times stated in the event complainant bank did not, in the meantime, dispose of it to others.

The facts in regard to this agreement are stated above. This was not a mere option to sell, but an unconditional agreement upon the part of defendant Stahlman and wife to buy from the Fourth National Bank the said $45,000 of stock, and they were to take and pay for the same, 100 shares of the par value of $10,000 on December 1, 1900, another 100 shares December 1, 1910, 100 shares December 1, 1911, and 150 shares December 1, 1912. It is stated in the contract that it is the desire of E. B. Stahlman and wife to buy said stock from the bank. The bank reserves in the agreement an option to sell this stock if it so desires at at any time or times to other persons, and thereupon, if all of same should be sold so that the claims of the said bank against E. B. Stahlman and wife were fully paid, that the bank would cancel and surrender this agreement, but that option was a conditional one because it was further provided that Stahlman and wife, or either of them, should have the option to buy said stock at par and accumulated dividends at any time or times before the bank sells it to others, and that at least 30 days' notice of the desire of the bank to sell said stock, or any part thereof, should be given Stahlman and wife, or either of them, of such desire before the bank should have the right to sell said stock to others. It was therefore an unconditional promise upon the part of Stahlman to purchase and an unconditional promise upon the part of the bank to sell. The bank did have the right to sell to others if Stahlman did not buy, but this option gave Stahlman preference at all times, and in case the bank did not sell to others, which it has not done, the agreement of Stahlman was obligatory and bound him unconditionally to purchase the stock. This unconditional agreement upon his part to buy cannot be called an option. It was somewhat of the nature of a guaranty upon his part that the bank should not lose anything on the Mecklenburg stock, but Stahlman and wife stood ready to purchase the stock at stated intervals. This assignment is therefore not well taken.

The fourth assignment of error is that this stock purchase contract, if

valid and enforceable, should not bear interest as upon a loan, but provides that dividends unpaid shall be included, and inasmuch as no dividends were earned, none can be recovered.

This is not a fair construction of the agreement. It is provided in the contract that this is guaranteed six per cent. cumulative preferred capital stock, and that if any dividend upon said stock remains unpaid at the time of said purchases to be made by Stahlman and wife, they will also pay the accumulative dividends upon the stock represented by each of said purchases. As long as the six per cent. dividends which this stock should bear were unpaid by the company, it was the obligation of Stahlman to pay same to the bank. It was the plain meaning that the dividends upon said stock remaining unpaid did not refer to only such dividends as the company might declare, but it was guaranteed stock, and was cumulative, so that the obligation of Stahlman and wife was to take care of any dividends unpaid by the company, making it in the nature of a loan to Stahlman and wife.

The fifth assignment of error is that the chancellor erred in not holding that the provisions of said alleged contract of April 5, 1906, for its own security, were exclusive, and that the bank could not hold or retain other choses in action or property of defendant for its security. This involves the question made in the sixth assignment of error, raising the point whether the pledge contained in the note of defendant of April 10, 1911, for $24,400, of the shares of stock therein mentioned, extended to and entitled the bank to hold said stock for the security of the stock purchase claim of $45,000.

The eighth and ninth assignments involve the sufficiency of the tender made by Major Stahlman on July 31, 1911, just before the bill in this case was filed, and whether the same was kept good pending the litigation. These assignments take the position that the tender, being good, operated to discharge the collateral held by the bank on the loan. It is argued that the bank did not object to the tender as made, except on the ground that it did not include the stock purchase claim of $45,000. If the bank was entitled to retain all this collateral, then the tender was not sufficient to release the same.

Therefore the fifth, sixth, eighth, and ninth assignments of error depend for their solution on whether the collaterals held to secure the $24,400 note were likewise applicable to the payment of the stock purchase obligation. After all other matters arising in this cause had been determined by the court, only four members sitting, Chief Justice Neil being incompetent by reason of relationship to one of the parties, the court by the Chief Justice, requested Governor Rye to appoint another Justice to sit in the further determination of the cause, whereupon the Governor appointed Hon. W. C. Caldwell, a former member of this court, to act in the place of the Chief Justice, and the cause was again argued by attorneys on this question and taken under further advisement, the result of which is that the court is of opinion that the collaterals to secure the $24,400 note were, under the contract which is a part of that note, a further security for the payment of the stock purchase obligation, and these assignments, Nos. 5, 6, 8, and 9, are therefore overruled.

The views of the court touching this proposition are elaborated and treated in an opinion prepared by Mr. Justice Caldwell, and which is filed herewith. (Omitted for lack of space.—Ed.)

The seventh assignment of error is that the chancellor failed to hold and decree that complainant bank was estopped from claiming against defendant Stahlman, as indorser for Morton-Scott-Robertson Company, any more than the sum of $3,851.24, rendered by complainant to defendant on July 29, 1911, as the balance of said debt in response to defendant's request for a statement, including interest to July 31, 1911, of all indebtedness to the bank for which it claimed the right to hold the collaterals mentioned in his note for $24,400, and in failing to credit on said balance of $3,851.24 after July 31,

1911, the collections thereafter made by complainant bank from said principal debtor on February 14, 1914, of $1,-649.07.

In reality this assignment as to the Morton-Scott-Robertson Company debt involves nothing more than a question of estoppel. The credit of $1,649.07 referred to in the assignment of error was allowed in the decree of the chancellor, and there is no ground for objection on that item. The bank had rendered a statement to Major Stahlman which erroneously omitted an item of interest, and the tender made thereupon was only for the amount stated by the bank. While this was a good tender so far as the amount was concerned, it was not an estoppel against the bank that will preclude it. The mistake will be corrected, as no one has been prejudiced by the statement and no element of estoppel can arise.

As regards the legality of the tender made, it was not a valid and binding tender, because it did not include the stock purchase debt, and thus did not release the securities held by the bank, but under all the circumstances of the case, in view of the dispute as to the legal effect of the stock purchase contract, we think the offer of Major Stahlman to pay the $24,400 note was sufficient to exonerate him from having to pay the bank's attorney's fees, as stipulated in this note. There was in reality no litigation as to this item, and, the main fight being over the stock purchase contract, we think, in equity, the chancellor met the merits when he refused to allow attorney's fees on this note. The assignment by the bank on this point will therefore be overruled.

The debt of the Banner Publishing Company was paid prior to the bringing of these suits. The suit against the Banner Publishing Company does not now involve any live issue. It was originally to have the Banner Publishing Company stock transferred to the bank in order that it might collect the dividends. Evidently the chancellor's decree omitted any action on that phase of the litigation because it had become immaterial at that time.

The final decree found that the total indebtedness of defendant to the complainant on June 1, 1914, to be $98,-745.67, to be credited with the sum paid into court January 9, 1912, which was $28,336.64, and the accumulated interest thereon, leaving the amount to be recovered and for which the collaterals are liable, $66,407.15. He ordered the collaterals to be sold unless the amount recovered, including costs, should be paid by September 1, 1914, giving three months within which to pay.

The decree of the chancellor is, in all things, affirmed, and the case will be remanded in order that the decree may be carried out. (178 S. W. Rep. 942.)

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

ALTERED CHECK--LIABILITY OF BANK PAYING

Philadelphia, Pa., Dec. 29, 1915.

Editor BANKERS MAGAZINE:

SIR: Will you kindly give me your opinion and let me know if there have been any recent cases on record to settle the following matter: A party delivers an ordinary check filled out and payable for a bill of goods, the check falls in the hands of a dishonest person who by means of acid and chemicals changes the amount and erases the payee's name, substituting the word "bearer," presents the check at a bank for payment and gets the money. The check shows no evidence of erasure; neither does it show any of the present devices to prevent raising the amount. Has the maker of the check used proper precaution? CASHIER.

Answer.—It is settled law that where a bank pays a check which has been altered without the knowledge or consent of the drawer it cannot, in the absence of suspicious circumstances, charge the amount to the drawer's account. This rule is based on the fact that the bank receives funds upon the implied condi-

tion that it will disburse them only according to the depositor's orders and a raised check is obviously not the order of the depositor. There are cases, however, where the alteration is so skilfully made that the bank cannot by a reasonable examination detect the fraud; but even under such conditions the bank has been held responsible, the liability resting upon the ground of unauthorized payment rather than on the ground that the bank failed to detect the alteration. (Chicago Savings Bank vs. Block, 126 Ill. App. 128; Crawford vs. West Side Bank, 100 N. Y. 50.)

The general rule under which the bank is held liable where it pays an altered check without the knowledge or consent of the depositor has its exceptions and is modified to the extent that when some negligent act upon the part of the depositor has contributed to the payment by the bank, the depositor may be estopped from denying the correctness of the payment, but just what constitutes negligence is an open question.

It has been held that when the drawer or maker of a bill or note prepares it so carelessly that alteration is easy, the maker will be liable upon it to the holder in due course. This rule has been placed on several grounds first, that the drawer is responsible by his negligence; second, that where one of several persons must suffer loss for the wrong of a third, he shall sustain the loss who put it in the power of the third to do the wrong. Third, it is the duty of one issuing commercial paper to guard not only himself but also the public by refusing to sign instruments in such form as to permit easy alteration. Fourth, that the free interchange of commercial paper requires such a rule. Other authorities refuse to hold to this doctrine, claiming that a person who issues a negotiable paper has no duty to subsequent purchasers and that he is entitled to rely upon the presumption that it will not be criminally altered.

But whatever may be the just rule in respect to bills and notes, it is apparent there is a ground upon which to distinguish a check, for the relation between the bank and its depositors is essentially different than that between parties to promissory notes. No one is bound, except under agreement, to purchase promissory notes, but every bank is bound to honor depositor's checks; hence it is a just rule to require the depositor to exercise reasonable care in preparing his checks to the end that loss may not be thrown unnecessarily upon the bank. (Trust Company of America vs. Conklin, 65 Misc. Rep. 1; Brady On the Law of Bank Checks, page 156.)

In Timbel vs. Garfield National Bank, 121 N. Y. App. Div. 870, it is said: "The text books are quite unanimous in asserting that where the drawer of a check has prepared it so negligently that it can be easily altered without giving the instrument a suspicious appearance and alterations are afterwards made, he can blame no one but himself, and in such cases he cannot hold the bank liable for the consequences of his own negligence. (See Daniels on Negotiable Instruments; Morse on Banks and Banking; Zane on Banks and Banking; Story on Promissory Notes.) But in Critten vs. Chemical Bank, 171 N. Y. 219, it was held that while the drawer may not recover from the bank where he draws the check so carelessly as to facilitate, or invite fraud, he is not bound to so prepare the check that no one can successfully tamper with it.

The above is the general rule of altered checks, but there is no case to the writer's knowledge from a court of high standing which holds that any particular device is necessary, or that any particular method should be followed so long as the instrument is properly executed. Our judgment is that chemical erasures would be such an alteration as would be difficult to prevent, and the law holds no particular device to be absolute security, and you cannot charge the check to the depositor in an amount larger than originally drawn unless you can prove to the satisfaction of a jury that it was negligently drawn in the first instance, and that such negligence invited the fraud.

The foregoing principles apply likewise to the alteration of the payee's

name. Where a number of checks are paid by the bank after having been altered from "order," to "bearer" checks, the responsibility of the bank is a question for the jury. (Farmers Bank 6 Pennewills Deleware Reports 580.)

LIABILILITY IN MAKING PAYMENTS

San Francisco, Cal., January 6, 1915.

Editor Bankers Magazine:

Sir—We desire to be informed as to the position which you take respecting the following legal points:

Question No. 1—One of our depositors files a stop payment notice on the form given below. The check has not been paid and the notice is filled out in correct form. It is later discovered that since the stop payment notice was filed the check is overlooked and paid by one of our tellers. Are we legally liable to make good to the drawer for the payment of this check?

Question No. 2—We have on our books a partnership account for Brooks and Anderson. By arrangement, either one of these partners may sign checks against the account for the partnership. Mr. Brooks dies. A check which he drew and signed before his death is presented by the payee; we have knowledge of the demise of Mr. Brooks and because of the fact that he is known to be dead, we refuse to pay the check. Are we liable?

Question No. 3—A. B. Jones, who has a personal account with us, presents a check made payable to him as administrator. Are we justified in accepting this check for deposit to his personal account without questioning his right to make a deposit to his personal account? If not, would we be within our rights to ask him to endorse the check A. B. Jones, administrator for the estate, and then under this endorsement add his unqualified personal endorsement?

Question No. 4—George Smith has been a customer of this bank for two years, and at intervals has transacted business with us. However, upon opening the account his identity was not firmly established. For instance, he was introduced to us by a person who also had an account, but who was only known to us in a general way. Mr. Smith has a check on some other bank which he wishes to cash immediately and not being known there, asks us to identify him, so that he may secure the payment of the check. We have him endorse the check and under it subscribe as follows: "Identified by ———————— Trust and Savings Bank, A. B. C., assistant cashier." A. B. C. signs officially, thereby obligating the bank. It afterwards proves that the person known to us as George Smith is really Jack Thompson and that he was not entitled to draw the funds on the check which we identified. In other words, he had been doing business with us under an assumed name. In this case are we liable, and could the paying bank compel us to make good the loss?

Assistant Cashier.

Trust and Savings Bank,
San Francisco, Cal.

Until written notice from me to the contrary, you will please

Stop Payment

On my Check drawn on you in favor of

....

Number.............................*Dated*.............................*for $*....................

Date of estoppel...*Time*............................

I ask this as a courtesy only, and hereby release you from all liability in case of payment or of non-payment.

....

Acct. No...........................

....

Form 160-1M-6-15

THIS STOP PAYMENT ORDER DID NOT BIND THE BANK BECAUSE OF THE FINAL CLAUSE RELEASING IT FROM LIABILITY

Answer to Question No. 1:—It is within the rights of a depositor to stop payment on his checks, and the bank

is obliged to honor such a notice if in proper form, and pays such items as have had a stop payment filed against them at its peril. It therefore follows, after payment has been stopped on a check, a bank cannot charge it against the depositor's account and any payment would be its loss. In the present case, however, by the waiver on the stop payment card, the depositor has absolved the bank from this liability, which negatives the force of the notice, and it therefore becomes merely a request not to pay the check; but if inadvertently the check is paid the bank would not be liable.

Answer to Question No. 2:—The authority which one partner has to bind the other in partnership matters is based on agency, and he has the right to act for the firm in all matters pertaining to partnership affairs. This includes negotiable paper. This agency being in force at the time the check is made makes it a binding obligation, irrespective of the fact that the signing partner dies before the check is paid. Agency ceases at the death of the one acting as such, but does not void the transactions which have been made in pursuance of such agency. You would, therefore, be justified in paying checks issued under conditions named.

Answer to Question No. 3.—A check drawn to the order of an administrator bears on its face evidence that it is the property of the estate, and should neither be mingled with the personal affairs of the administrator nor diverted to his own uses. In accepting such a check you are charged with notice that the administrator is passing such funds to his personal account and if the estate is defrauded you might be liable, because of the fact that you had the means of knowing that the funds were so used. The fact that he endorsed personally does not alter the situation that the funds are placed in his personal account with your consent. On the contrary, however, it has been held in Pennsylvania that where checks payable to an administrator were deposited to his individual credit, and later drawn out, the bank was not liable to the estate. (Safe Deposit and Trust Company v. Diamond National Bank, 194 Pa. 334.) Also, where a person deposits a check payable to him as trustee to his individual credit and misappropriates the proceeds, the bank was not held liable. (Batchelder v. Central National Bank, 188 Mass. 25); but your only safe course would be to refuse such a check, because of the notice of its being trust property.

Answer to Question No. 4:—The name of an individual in law is merely to identify the person.

You evidently dealt with Thompson as Smith, and assuming that the transactions which you put through for Smith were his own transactions would justify you in identifying him as Smith *the individual.* Your question opens doubt as to the nature of the check. If the check was intended for the individual known to you as Smith, the fact that he was in reality Thompson does not alter the fact that you identified him as a certain individual. If the check was intended for another, Smith had no title to it. Even though a check drawn to the order of A is paid to another of the same name and negotiated by him, it has been held that the bank is liable as having paid on a forged endorsement. (Graves v. American Exchange National Bank, 17 N. Y. 204.)

There are numerous cases of fraud perpetrated through assuming another's name. In Meyer v. Ind. Nat'l Bank, 27 Ind. App. 354, a check was drawn to one assuming another's name and paid by the bank upon the endorsement of the impersonator and the bank was held not liable to the drawer. In Sherman v. Corn Exchange Bank, 91 N. Y. App. Div. 84, A gave a check drawn to the order of B to an agent of B for horses, believing the payee to be a wealthy individual by that name. The bank paid the check on the endorsement of B, who was the owner of the horses, but not the individual A supposed him to be. It was held no forgery and the bank was not liable to A.

A stranger falsely representing himself as one B, obtained a loan upon B's property from the Land Title and

Trust Co., which gave him its check for the amount, drawn upon itself, payable to B. The stranger indorsed the check in B's name and deposited it in Northwestern National Bank, by which it was collected from the drawee. It was held that the check having been issued to the person whom the drawer intended to designate as the payee, its payment was chargeable by the drawee to the drawer; and hence the money could not be recovered from the one who collected the check upon the indorsement of such assumed payee. (Land Title & Trust Co. v. Northwestern Nat. Bank, 196 Pa. 230.)

As the question is stated, you have not indorsed the instrument, even without recourse, for you had no title to or interest in the paper, and had no title to pass. You did not endorse it for accommodation, for the paper needed no additional credit. You simply stated the payee to be an individual known to you by that name, and if the check was intended for him even though Smith was not his name, our judgment is that you could not be held. The question how far the words "identified by" could be construed to be a warranty as to the identity of the payee would be for the court to determine. We can find no case where this specific question has been involved. Only on the ground of warranty could you be held, and this can only be determined by the evidence in the case, which is not apparent as the matter now stands.

DUPLICATE DRAFT—STOPPING PAYMENT ON ORIGINAL—LIABILITY FOR CASHING BOTH

Detroit, Mich., January 2, 1916.

Editor Bankers Magazine:

(1) This bank issued a draft on its Chicago correspondent for $1,000, payable to John Doe, and two months after the issuance of the same, Doe called at this bank and notified us of the loss of the draft and upon such representation we issued him a duplicate draft, marked as such. We immediately stopped payment on the original at the Chicago bank. A month after the issuance of the draft, Doe called at this bank and presented the duplicate draft for payment; we paid him the money on the same. Doe afterward found the original draft and cashed it at a Detroit bank. The Detroit bank cashed the same in good faith and Doe disappeared. Who is the loser, the Detroit bank or us? Would the liability be changed if the duplicate draft was cashed at another bank instead of at this bank?

(2) Supposing that said Doe had endorsed the said original draft over to an innocent third person and such third person had held said original draft for several months and then had presented the same for payment, would we be the loser? Vice-President.

Answer—We fail to see any distinction in the case mentioned from an ordinary check. The fact that it was drawn by a bank on a bank does not alter the legal status. A check may be drawn by a bank on a bank. (Garthwaite v. Tulare Bk., 134 Cal. 237; Exchange Bank v. Sutton Bank, 78 Ind. 577; State v. Vincent, 91 No. 662.) A depositor in a bank has the right to stop payment, and the bank is bound to carry out his instructions if the notice is received before the check has been paid or certified. (Peoples Savings Bank v. Lacey, 146 Ala. 688; Alberg v. Commercial Bank, 85 Mo. 173; Lunt v. Bank of America, 49 Barb N. Y. 211; German National Bank v. Farmers Deposit National Bank, 118 Pa. 294.) Anyone cashing a check assumes the risk that payment may have been stopped upon it, and if no recourse is possible upon the endorser, the one cashing must stand the loss.

You issued a good instrument and stopped payment upon it. You then issued a duplicate, which was paid in due course. Subsequently the original is presented and payment refused, in all of which you were within your legal rights. The fact that an innocent holder has the instrument does not make you liable; they must look to their endorser who warrants certain things by his endorsement and upon this they must rely. The loss, therefore, is theirs and not yours.

It seems to us that you were lax in not requiring an indemnity bond to pro-

vide against the contingency of just such a happening, which, while it would not alter the case, might make it possible to recover the loss sustained by the bank that cashed the original draft.

The question raised in your second question involves the point of a stale check, and just how old a check must be to become stale is open to doubt and would be a matter for the court to settle upon the evidence submitted. The responsibility in this case rests upon the bank that cashed the original draft.

Interesting Legal Points

By M. L. HAYWARD, B. C. L., of the Canadian Bar

Are Corporate Stocks "Goods and Chattels"

BY an old English statute it is provided that no contract for the sale of goods, wares and merchandise, for the price of ten pounds sterling or upwards shall be good, unless the buyer accept and receive part of the goods sold, or give something in earnest to bind the bargain, or in part payment, or unless some note or memorandum in writing, of the bargain be made and signed by the party to be bound, or his agent lawfully authorized; and this provision with slight verbal changes has been enacted in practically every state in the Union. It will be seen at a glance the importance of the statute, as, if the requirements are not fulfilled, any contract falling within its provisions may be repudiated.

An important question then arises, namely, whether shares of corporate stock fall within the statute as being "goods, wares and merchandise," requiring acceptance, part payment or a written memorandum to make the sale valid. The importance of this question will be readily appreciated by any one who is familiar with the importance and extent of stock dealings in this country.

In England it is held that corporate stocks represent mere rights, incapable of delivery, and do not fall within the statute.

In the United States the great weight of authority is that such shares fall within the statute and that its requirements must be fulfilled. This is the law in California, Connecticut, Florida, Georgia, Maine, Massachusetts, Missouri, New York, Illinois, Wisconsin and in the federal courts.

The law in Maryland, Indiana and Virginia is somewhat unsettled, but seems to favor the English view that such sales are not within the statute.

Broker's Commission

A FAVORITE device for raising revenue adopted in many states is that of requiring brokers to take out a license to do business and to pay a prescribed fee therefor.

Suppose, then, that A an unlicensed broker, does business for B, a customer; can A recover from B for his services, or is he prevented from doing so by the fact that he has not taken out the required license?

On this point the United States courts have held that where the statute imposing the tax is for the purpose of raising a revenue and does not render

the contract void, the broker may recover.

This rule has been laid down by the courts of Alabama, Arkansas, Louisiana, Maryland, Missouri, New Jersey, New York, Oklahoma, South Carolina, Texas, West Virginia and Canada.

On the other hand, if the statute forbids the carrying on of a brokerage business without the required license, then any contract made in the course of the forbidden business is void, and the broker cannot recover.

This is the law in England, Illinois, Indiana, Iowa, Kansas, Maine, Pennsylvania and Tennessee.

Collecting Commercial Paper

SUPPOSE a bank remits to another bank commercial paper for collection in the ordinary way, and the second bank has no notice that the first bank is not the owner thereof, as in the case of checks endorsed in blank, for instance, and there is a running account between the banks to be adjusted from time to time by the proceeds of such paper, then the second bank is entitled to retain the proceeds of such remitted paper and apply the same to the balance due from the first, even as against the real owner of the paper who may have deposited it with the first bank for collection.

"Where a negotiable instrument," said the late Chief Justice Taney in a leading case, "endorsed in blank to a bank, though in fact only for collection, is sent by it to another bank 'for credit and collection' before maturity, and the latter receives it without notice that it does not belong to the former, it may lawfully retain the proceeds of the collection to satisfy a claim for a general balance against the other bank, if that balance has been allowed to arise and remain on the faith of receiving payments from such collections pursuant to a usage between the two banks."

The foregoing rule has been adopted by the United States Supreme Court and by the state courts of Colorado, Illinois, Maryland, Michigan, Missouri, Montana, Oklahoma, Pennsylvania, Texas and West Virginia.

On the other hand, it is held by the courts of Alabama, Mississippi, New York and North Carolina that the second bank under the above circumstances obtains no better title to the paper than the first bank had, and cannot retain the proceeds against a balance due from the first.

Blue-Sky Laws

THE Investment Bankers Association of America has issued a bulletin embodying the decision of the United States District Court holding the Michigan "blue-sky law" unconstitutional. The Michigan legislature in 1913 placed upon the statute books a blue-sky law regulating the sale of investment securities. This law was held unconstitutional in 1914 and at the 1915 session of the legislature another regulatory measure was passed. The 1915 law was tested and reviewed by the same judges holding the 1913 law invalid.

This latest decision sounds the death-knell of all measures to regulate interstate transactions in investment securities. Five Federal courts have reviewed as many blue-sky laws and all have declared such laws inoperative.

The court in reviewing the 1915 Michigan blue-sky law declared:

"The only question now open is whether the difference between the laws of 1913 and 1915 justify any different result as to the latter. We think not, because we find no substantial change in those respects which were held to be fatal. Some minor details have been corrected, but the new law, like the old, impressed upon interstate commerce a burden which is direct and which is beyond the limits of the police power.

"The burden of examination imposed

upon the dealer need only to be noticed to be appreciated. There is no limit to either the time which may be consumed, or the amount of expense which may be imposed, and from the whole statute the conclusion that interstate dealings in legitimate securities is forbidden, save at practically unregulated discretion of an administrative board, seems to us entirely clear."

Denial of Trust Company Powers to National Banks

REFERENCE was made in last month's MAGAZINE to a decision of the Illinois Supreme Court holding invalid the provision of the Federal Reserve Act conferring trust company powers on national banks.

Section 11K of the Federal Reserve Act authorized the Federal Reserve Board to grant permits to national banks, "when not in contravention of state or local law," to act as trustee, executor, administrator or registrar of stocks and bonds.

The First National Bank of Joliet, Ill., obtained such a permit from the Reserve Board and applied to the auditor of public accounts for a certificate of qualification under the laws of the state. The auditor declined to issue the certificate on the advice of Patrick J. Lucey, the Attorney General of the state, whereupon the First National Bank of Joliet filed a petition in the Supreme Court for a writ of mandamus compelling the auditor to issue the certificate asked for.

Attorney General Lucey filed a general demurrer to the petition, based upon the following propositions:

First—That Section 11K of the Federal Reserve Act is a delegation of legislative power by Congress to the Federal Reserve Board in violation of the Constitution of the United States and is for that reason void.

Second—If it shall be held that Section 11K is not a delegation of legislative power, but a general grant by Congress to national banks, it is unconstitutional and void for want of power in Congress to grant such a franchise to a national corporation.

Third—That to permit national banks to act as trustee, executor, administrator or registrar of stocks and bonds in Illinois would be in contravention of the laws of Illinois.

Chief Justice Farmer denied the first but sustained the second and third propositions, denying the writ of mandamus directed against the auditor. In his opinion the court said:

"Trust companies or corporations organized for the purpose of acting in trust capacities are very different from banking corporations. In some of the states a corporation may be authorized to do a banking business and also to act as trustee, executor or administrator, but the two functions, when exercised by the same corporation, are kept separate and apart. In some states banks do not exercise the powers of trust companies, and in others trust companies do not exercise banking functions. Since Congress has no expressed or implied power to create trust companies to act as trustees, executors or administrators, the nature and character of their business making them the creatures of the various states, Congress could only vest national banking corporations with such powers if they were reasonably necessary to the efficiency of such corpora-

tions for the purpose of their creation as governmental agencies. If Congress had deemed the exercise of trust powers by national banks necessary to the accomplishment of the governmental purposes for which they were created, it would seem such power would have been granted expressly to all national banks, as was the power to exercise certain banking functions granted by section 5136 of the Federal statutes.

"The right of a national bank to act as trustee, etc., as conferred by the Federal Reserve Act, was made elective with the bank. This feature of the act would preclude the conclusion that Congress deemed it necessary, on any ground, that national banks possess the power to act as trustees, executors, administrators or registrars of stock and bonds. If it had, it is evident it would not have made the act elective and permissive. National banks without the power to act as trustees, etc., have efficiently served the governmental purposes for which they were primarily created, and it not being shown such added powers are now necessary to the further success of such purposes, and we being of the opinion the powers attempted to be conferred by Congress belong strictly to the states, we think the act, in so far as it attempted to confer such powers upon national banks, is unconstitutional and void."

Chief Justice Farmer, in holding that the grant of trust powers to national banks is in contravention of the laws of Illinois, said:

"Trustees, executors and administrators deal with private property. They are the instrumentalities through which estates are settled and the transfer of property effected, and through which private property is protected and guarded for the purpose of applying it to the uses for which it was intended. They are not subjects over which the Federal Government has been given control, and any attempt to exercise such control would be 'in contravention of state or local law,' which is forbidden by Section 11K of the Federal Reserve Act and would also be in violation of the Constitution."

Combination Bank and Office Building as an Investment

"FROM the investment standpoint," says W. J. Hoggson, president of Hoggson Brothers, "a combination bank and office building is proving most attractive, especially in cities of medium size. The value of the tall piles we know as skyscrapers is no longer questioned. Bearing the name of the banks occupying the first or the first two stories, these inspiring structures bring to those institutions an enviable prestige.

"It is from the investment standpoint, however, that the combination bank and office building is proving most attractive. An office building properly executed will pay a splendid return on the investment. This is particularly true of medium sized cities.

"Here ground values have not become so high as to make the relation between the value of the site and the cost of the structure disproportionate. No office building, where proper consideration has been given to the manifold details of the proposition should pay less than five per cent. return on the investment and many of them pay much more.

"The location of the building, the

planning and cost are the all important items. In the planning, both as to the bank interior and the office rooms, too much care cannot be given. A poorly planned office building is foredoomed to failure.

"A bank building may be most impressive in appearance, yet possess faults of arrangement which cause permanent inconvenience to the occupants. A banking room, too, is primarily, a place in which to transact business, and secondarily an object for admiration, so it is evident that the inside layout and arrangement must be considered first.

"The advantage of a high priced, prominent corner lot upon which to build a bank is highly appreciated. The cost, however, frequently places a fixed charge on it for ground rent which practically precludes an individual bank building, owing to the excessive rental that would be necessary.

"An office building, income producing, relieves the bank of the prohibitive rental that would be called for by an individual structure, and helps to defray the expenses of the rental for the space occupied by the skyscraper. Often a bank has trouble in financing an operation of this kind, and it becomes necesssary to form a holding company to carry the property. This alternative is generally far from advantageous.

"An organization known as the Bankers Lease Company has been formed recently that is furthering a feasible plant for financing bank buildings. Through this organization a bank may secure any site it desires, have a modern building erected to suit its growing requirements for years to come, and all without putting any of its own capital into the project.

"Under the lease arrangement the rentals paid during the term of the lease convey to the bank the title to the property, free and clear at the expiration of the lease. In other words, the bank moves into a building put up to meet its special needs, pays a fair rental for a stipulated term of years and becomes the owner of the property at that time.

"No matter in what manner the building is to be financed, the overwhelming importance of its planning, construction, decorative and furnishings must not be overlooked. The prospective building should look to an organization that is equipped to undertake the entire operation under a single contract for the work complete at a cost that is guaranteed in advance."

Collections Outside New York—Amendment of Clearing-House Rule

THE New York Clearing-House committee has amended Section 2 of the rules and regulations regarding collections outside the City of New York, to read as follows:

"Sec. 2. For items collected for the accounts of, or in dealings with, the governments of the United States, the State of New York, or the City of New York, for items payable in the cities of Boston, Mass.; Providence, R. I.; Albany, N. Y.; Troy, N. Y.; Jersey City, N. J.; Bayonne, N. J.; Hoboken, N. J.; Newark, N. J.; Philadelphia, Pa.; Baltimore, Md.; and for items payable only at any bank or trust company which has already filed or may hereafter file an agreement in writing with the manager of the New York Clearing-House Association, signed by one of its officers, to remit in New York Clearing-House funds at par on the day of receipt thereof for all cash items properly drawn on it, transmitted by the collection department, so that such remittances will be received at the Clearing-house in time to be cleared in the regular morning exchanges of the following day, and for all items (whether such items are collected through the Federal Reserve Bank of New York or otherwise) which the Federal Reserve Bank of New York shall have notified the manager of the New York Clearing-House Association it will receive from its members for immediate credit at par, the charge shall in all cases be discretionary wtih the collecting bank."

Review of Banking and Financial Conditions

By JAMES B. FORGAN, Chairman of the Board of the First National Bank of Chicago

DURING the year 1915 the banking business of the country has been conducted under abnormal conditions. When the Federal Reserve banks opened for business on November 16, 1914, something like $500,000,000 was released to the national banks by the reduction in their legal reserve requirements authorized by the Federal Reserve Act. This fund thus released became immediately available as the basis for a large expansion of banking credit but an active demand for such credit did not then exist.

In an effort to diminish their surplus cash reserves thus created the banks commenced reducing their discount rates and pushing their business, but the curtailment of imports and the enormous increase in exports due to the war threw the balance of trade with Europe very largely in favor of this country and caused large importations of gold which accumulated in the banks. The stopping of the large expenditures by American travelers in Europe due to the same cause also had the effect of keeping gold in the country and adding to these accumulations.

The combined statement of the condition of the national banks compiled by the Comptroller of the Currency as of December 31, 1914, showed that they entered the year 1915 with $550,000,000 excess legal reserve which on September 2, the date of the last available statement, had increased to $868,000,000, an increase of $318,000,000 in nine months.

The strenuous efforts of the banks to find employment for these funds are reflected in these statements which show that during the same period loans were expanded from $7,350,000,000 to $7,981,000,000; but deposits simultaneously increased from $6,416,000,000 to $7,423,000,000. Notwithstanding these efforts therefore idle funds steadily accumulated in the banks and enabled the commercial paper brokers to get complete control of the market money. Banks were played off against each other. If one would not accept good paper at the broker's rate another would, and the one that refused lost the opportunity of having so much of its money earning something instead of remaining idle. The natural result was a complete demoralization of the market rates for money and a big reduction in bank earnings.

During the first nine months of the year general business dragged, only such lines as were stimulated by manufactures for export showing activity on a profitable basis. Domestic business was irregular or "spotty" and lacked buoyancy and volume. During the last three months, however, general business has shown improvement in practically all lines, creating a somewhat better demand for money, and the prospects are good for further improvement all along the line.

Gold continues to accumulate, however, and it does not seem likely that the idle funds in the banks will be absorbed for some time to come. There is therefore no immediate prospect for much higher rates for money although the improved demand should have a tendency that way.

Present conditions and the trend of general business lead to the conviction that a period of business expansion has commenced which will last so long as the European belligerent countries can find the means of settling for our exports to them by shipping gold, returning our securities or arranging with us for deferred credits.

The immediate business outlook is therefore very good. What conditions may prevail after the war or when the war may end no one can foresee. The former problem depends largely on the latter and both are at present equally insoluble. We should foster preparedness in more ways than one and should not forget that "after a period of overstimulation of commerce and trade fostered by a period of too easy credit the tide must inevitably turn and the greater was the extreme to which low rates had gone so the greater must be the force of the reaction upon the turn of the tide."

The expansion of business and credit now under way must sooner or later be followed by reaction and contraction. When this takes place the efficacy of the protection afforded under the Federal Reserve system will be tested, and it is my belief that it will not be found wanting if the state banks doing a commercial business will only look ahead, rise to the occasion and assume their share of the responsibility of preparedness by joining the system now.

What we need in this country is a unified banking system which can only be had by the co-operation of state and national banks under the Federal Reserve Act. In union there is strength.

Trust Company Dinner

THE annual dinner of the Trust Company Section of the American Bankers Association will be held Friday evening, February 25, 1916, at the Waldorf-Astoria. In former years this function took place the first week in May.

True Preparedness

SPEAKING before the conference of cotton states bankers at New Orleans recently, Dr. Bradford Knapp of the United States Department of Agriculture had this to say about preparedness:

"We hear much of 'preparedness.' This word surely means more than men who know how to fight and munitions and arms with which to act. Surely it means educated people, healthy, strong, vigorous, self-reliant people. It means ability to live, if need be, by ourselves, by our own efforts. If this great rich country is to be prepared, it must be self-sustaining. Let us set our house in order and do our duty."

President Wilson Endorses Thrift Campaign

AT the beginning of the celebration of the 100th anniversary of the establishment in this country of savings banks, which is to be conducted throughout the country during this year and culminate in a convention in New York city next December, there has been received by the American Bankers Association a telegram addressed at Hot Springs by President Wilson as follows: "I sympathize most sincerely with the campaign to promote thrift. I think every prudent and thoughtful man must."

The object of the campaign is to teach the children thrift through the establishment of school savings banks; to encourage the people to save and conserve by securing the co-operation of the newspapers in the various communities to print short, terse articles on thrift sent out regularly by the American Bankers Association and in conducting local thrift campaigns in the different cities, addresses being given and motion pictures shown to promote the thrift habit.

Progress of the National Banks

INTERESTING figures showing the progress of the national banks are given in the Annual Report of the Comptroller of the Currency recently presented to Congress.

The Comptroller says that during the year ending November 10, 1915, the time of the last report from the national banks, their prosperity and expansion far exceeded all precedents. The total number of national banks shown in his statement is 7,617; the state banks, trust companies, savings banks, etc., number 19,457.

From October 31, 1914, to November 10, 1915, deposits in the national banks increased $2,081,000,000. The increase in deposits in this one year is about as much as the total deposits of all national banks in the year 1891. The total money in the United States in June, 1915, was $3,989,000,000. All banks then held $1,760,000,000. The actual amount of money then in possession of the people, not in banks or the Treasury, was $1,808,000,000.

The total resources of national banks on November 10, 1915, were 13¼ billion dollars—nearly four times what they were in 1895. From October 31, 1914, to November 10, 1915, the available cash resources of all national banks increased $862,000,000; while the liabilities of the banks, on account of bills payable, rediscounts, etc., were reduced more than $100,000,000.

The reserves held by all national banks in 1895 were reported at 571 million dollars, in 1905 at 988 million, and on November 10, 1915, at 2,108 million dollars.

The reserves held by national banks November 10, 1915, exceeded by 587 million the greatest reserves ever held at any time prior to the passage of the Federal Reserve Act.

From October 31, 1914, to November 10, 1915, the available cash resources of all national banks, including specie, bank notes, balances with reserve agents, exchanges for clearing-house, etc., increased 862 million dollars, while the liabilities of the banks for the period named, on account of bills payable, rediscounts and borrowed bonds, were reduced more than 100 million dollars.

The liability of national banks on account of circulation was reduced from 1,018 million on October 31, 1914, to 713 million November 10, 1915, a reduction of 305 million principally due to the retirement of the emergency currency.

On February 14, 1914, the national banks in the 12 Federal Reserve cities held on deposit for other banks throughout the country a total of 1,572 million dollars. On November 10, 1915, this balance had increased to 1,989 million dollars, an increase of 417 million dollars, notwithstanding the fact that the member banks had at the same time accumulated to their credit in the 12 Federal Reserve Banks an aggregate of 359 million dollars.

The Comptroller also presents a summary showing the condition as of June, 1915, of all national banks, state and savings banks, trust companies, and private banks throughout the United States.

The total number of banks shown in this statement were 7,605 national banks and 19,457 state banks, trust companies, savings banks, etc.

Reports are also submitted for 3,003 state institutions which failed to send reports, and whose statements were estimated in making up the totals, making a grand total of all banks of 30,065 with a paid-in capital of 2,222 million dollars, of which 1,068 million was for national banks, 1,094 for state banks, etc., and 59 million for the non-reporting banks. The aggregate deposits, exclusive of Federal Reserve Banks, were 19,660 million, including 6,613 million for national banks, 12,635 million for

the reporting state institutions, and 412 million for non-reporting state banks.

The statement shows that the investments in bonds and other securities held by the reporting banks aggregated 5,881 million dollars, of which 811 million dollars were United States bonds, 1,494 million in state, county and municipal bonds, 1,704 million in railroad bonds, 663 million in bonds of other public service corporations, and 1,208 million other bonds, stocks, warrants, etc.

The cash held in all national banks, state banks and trust companies, and in the Federal Reserve banks was reported at 1,769 million dollars, an increase in cash holdings of all banks during the year of 131 million dollars.

The Comptroller recommends an amendment to the National Bank Act which will enable the Department of Justice to bring suit against usurers upon information furnished by the Comptroller's office. Under the present law suits for usury have to be brought by the borrower, who is usually afraid to bring suit against the bank which has made him the loans.

American Institute of Banking During 1915

FROM the standpoint of growth and achievement the year 1915 was the best one which the American Institute of Banking has experienced during the decade and a half of its existence. More than 1,800 new members were added, making a total membership now exceeding 16,000. Twelve new chapters have been added during the year, located in the following cities: Los Angeles, Cal.; New Haven, Conn.; Macon, Ga.; Savannah, Ga.; Des Moines, Ia.; Springfield, Mass.; Great Falls, Mont.; Raleigh, N. C.; Charleston, S. C.; Columbia, S. C.; Memphis, Tenn., and El Paso, Tex. On the correspondence chapter there are now 1,512 members, and the total number of graduates of the institute now exceeds 1,500, which includes new graduates during 1915 to the number of 373.

In point of membership the five largest chapters are as follows: New York, 2,220; Chicago, 1,309; Philadelphia, 1,189; Pittsburgh, 877; Boston, 825.

The Board of Regents have established standard institute courses in commercial law, negotiable instruments, and elementary banking.

The Committee on Public Affairs, of which Mr. Frank W. Bryant of the Second National Bank of Boston is chairman, directed the organization and preparation of the Centennial Thrift Campaign of the American Bankers Association in the chapters of the institute.

The Committee on Thrift Work, of which E. G. McWilliam of the Security Trust and Savings Bank of Los Angeles, is chairman, advised with and suggested to the chapters ways and means for conducting the Centennial Thrift Campaign.

The Committee on Public Speaking and Debate, of which Carl H. Chaffee of the First National Bank of Philadelphia is chairman, was successful in promoting the establishment of classes in public speaking and also inter-chapter debating, and through the executive council will offer a cup as a prize in a debate to be held each year at the annual convention.

The Committee on Military Instruction, of which Harold J. Dreher, who has just been elected as assistant cashier of the National City Bank of New York, is chairman, after advising with Major-General Leonard Wood of the United States Army and with the War Department of the United States through the Adjutant-General, have recommended to chapter presidents and others in charge of military training work in chapters a comprehensive program for the promotion of military training among chapter members.

Bonuses for Bank Officers and Clerks

IN a letter addressed to officers of national banks the Comptroller of the Currency has approved the distribution of bonuses or Christmas presents to bank employees. The letter follows:

"Inquiry is made of this office by national banks from time to time as to whether it is lawful for such banks to distribute at this season of the year additional compensation in the form of 'bonuses' or Christmas presents to employees who receive stipulated salaries for the services they may have performed, and the question sometimes has been raised as to whether officers or directors have the right to make voluntary appropriations of this character from earnings belonging to stockholders without receiving the ratification or sanction of shareholders.

"The records of national banks show that while the salaries paid to the principal officers of banks in some cities are large and are on a parity with, if not higher than, the salaries paid by other corporations, yet the average salaries paid to the average bank officers are very moderate, while the salaries paid to bookkeepers, clerks and other employees are in many cases not only low but scanty.

"This office cordially approves of the disposition shown by some banks to recognize in a practical manner the faithful and valuable services of their officers and employees by distributing to them at the Christmas season, out of the net earnings of the bank, a special bonus in the shape of a percentage on their yearly salaries. The money thus distributed should not be regarded as given without value received. Such recognition from the bank is calculated to encourage and stimulate officers and employees and to infuse in them new strength, courage and energy, which are likely to yield returns to the bank.

"When national banks have been successful and have earned more than their dividend, there can be no objection to their giving due consideration each year at this season to the propriety of distributing to their officers and employees, especially the latter, a certain percentage on their current salaries as an extra allowance for faithful services during the year, out of the year's earnings which remain after the payment of the usual dividends and before the balance of profits has been carried to the credit of surplus.

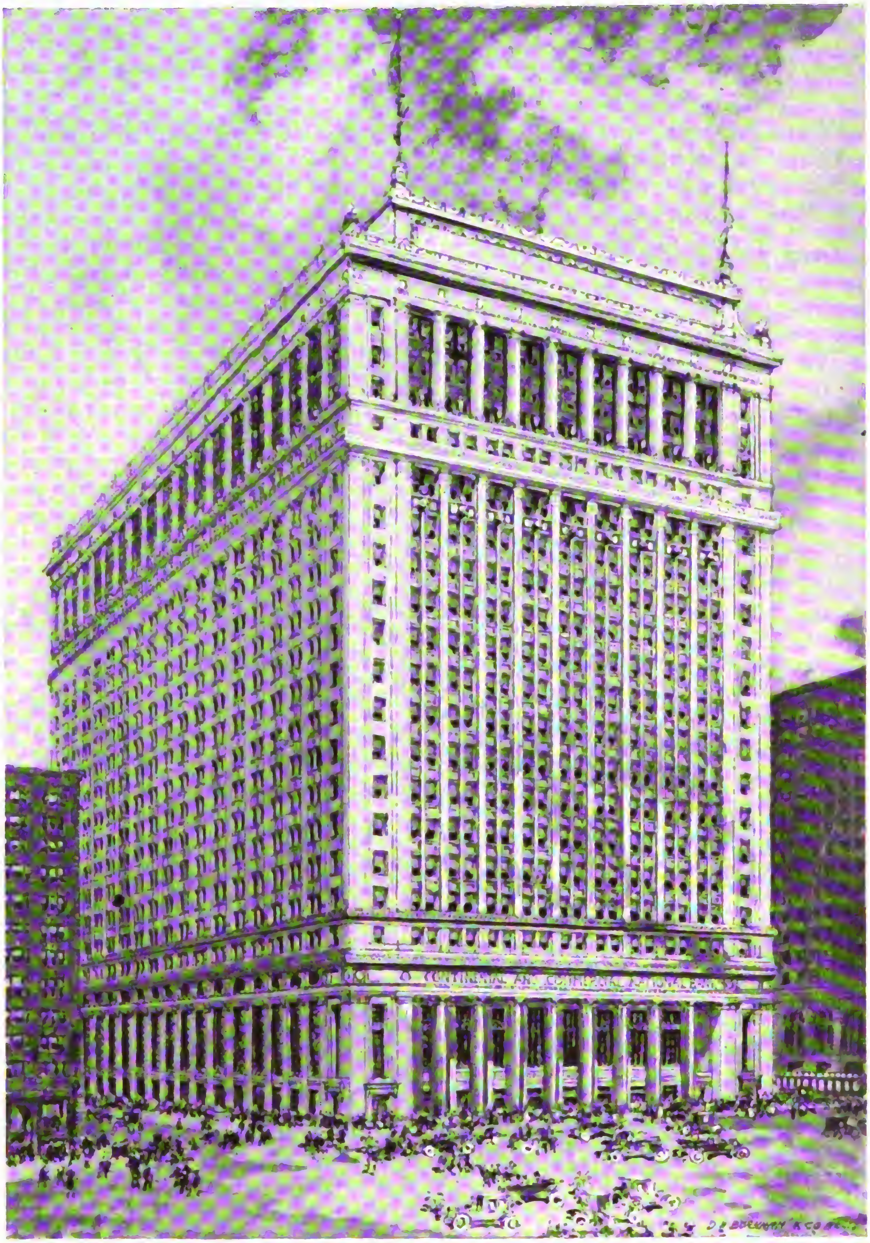
"It is desirable, that this extra compensation, after being recommended or approved by the board of directors, should be submitted to the stockholders for their consideration, approval and ratification, before being actually distributed.

"As the annual meetings of stockholders of all national banks throughout the United States are held each year early in the month of January, a convenient opportunity is thus afforded for receiving from the shareholders of all banks such consideration and approval.

"You are requested to submit this letter to your board of directors at their next meeting."

A. B. A. Issues Thrift Pamphlet

A PAMPHLET entitled "Thrift; How to Teach It, How to Encourage It," has been issued by the Savings Bank Section and the American Institute of Banking Section of the American Bankers Association, as part of the Centennial Thrift Campaign of that organization. It is a compilation of leading addresses on thrift; suggestive outlines for thrift talks; directions for conducting a thrift campaign, and statistical information relative to the saving of money.



THE HOME OF THE CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

MAIN BANKING ROOM SHOWING ARRANGEMENT OF CAGES. THIS ROOM IS BOTH ARTISTIC AND IMPOSING. CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

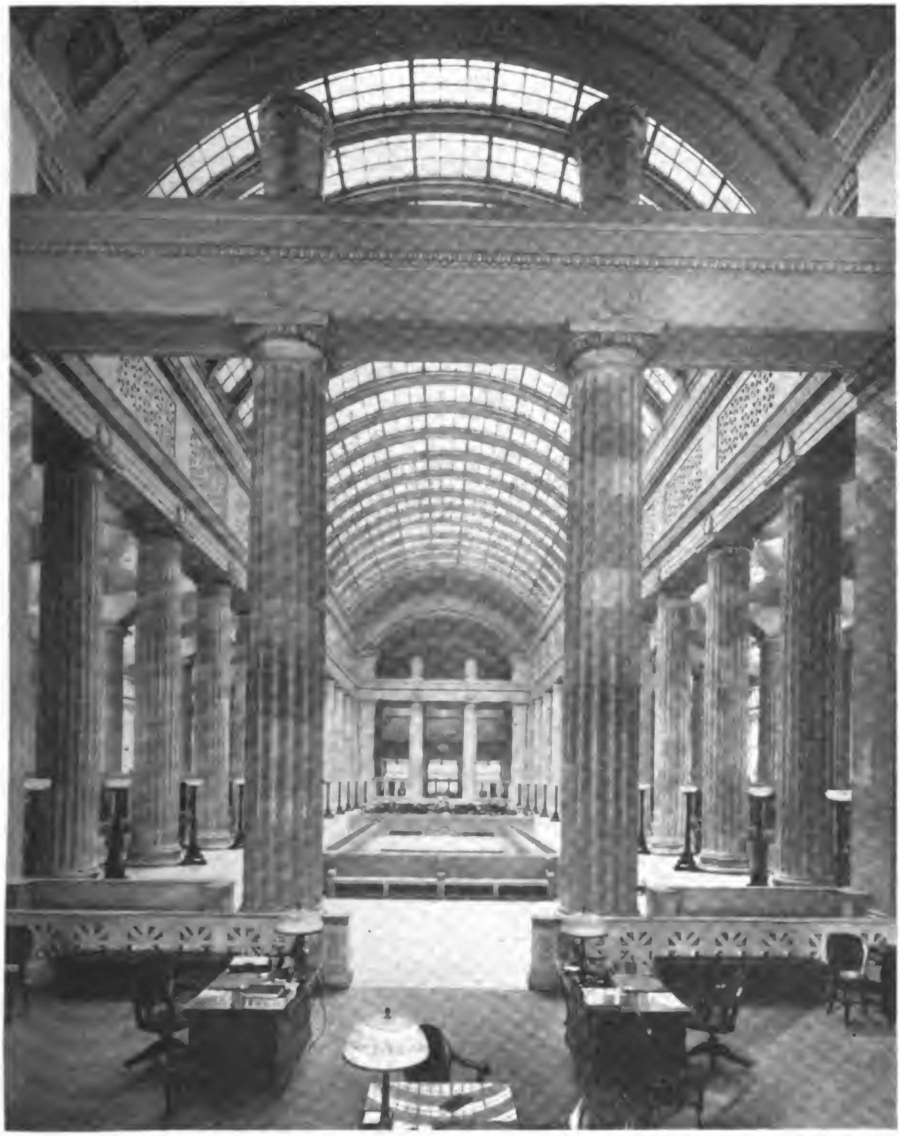
A Great Western Bank

NOWHERE else, and in no other period, has the remarkable development of natural resources, the accumulation of wealth and the increase in population equalled what has occurred in the Middle West in the past fifty years. In other sections of the country and in other nations wonderful material advances have been made, but it took a long time, comparatively, while in that great region from the Alleghenies to the Pacific the forward movement has been so rapid as to be almost beyond comprehension. It has all been very natural, however. It is true that some of this portion of the United States had made surprising progress prior to the Civil War, rising, as it did, from forest and untilled prairies to great manufacturing centers and productive farms, supporting millions of busy, contented and prosperous people.

Despite what had been done, it remained for the activities following the struggle of the sixties to bring the states of the Ohio and Mississippi valleys and those farther west and southwest, into a fuller development through tremendous strides in agriculture, manufacturing, mining, lumbering and transportation. The world may never again witness a similar transformation. It was admittedly made the more easy by universal conditions. We had reached an age of invention and of courage to undertake new and gigantic enterprises. The general condition of mankind was rising to a higher level, and the spirit

ARTHUR REYNOLDS

FIRST VICE-PRESIDENT CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO



ANOTHER VIEW OF THE MAIN BANKING ROOM SHOWING THE IMPOSING EFFECT OF THE GIGANTIC COLUMNS, CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

of accomplishment inherent in a new country caused the West to lead when the older and more conservative communities were inclined to hesitate. It followed that in railroad building, in the making of plows and harvesters, and, later, in the perfection and manufacture of the automobile, the West played a conspicuous part. The demand for everything grown on the farm was quickened, so that every acre of fertile land constantly became more valuable and markets for the products thereof more extensive.

These achievements would not have been possible without a corresponding improvement in banking facilities. At first small or medium-sized banks, to supply the local needs of towns and small cities, were sufficient. But towns

grew to be cities and the cities rapidly won place as important manufacturing and distributing centers; the upward trend of business was amazing. The marketing of lumber, wheat, live stock and packing-house products, farm machinery and steel output, extending to all parts of America and to various European countries, required greater aggregations of banking capital. The banks had to enlarge and they did so. There was no other way.

VIEW OF FOREIGN AND CITY COLLECTION DEPARTMENT
CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

AMONG the first of the associations organized under the National Bank Act was the Commercial National Bank of Chicago. It was authorized to begin business on January 13, 1865, the charter having been granted by Hon. Hugh McCulloch, the first Comptroller of the Currency. Commencing with a capital of $200,000, this item increased from time to time until in 1910 the amount had been raised to $8,000,000. September 1, 1909, the Bankers National Bank was merged with the Commercial.

The late P. D. Armour and a number of prominent associates organized the Continental National Bank March 5, 1883, with $2,000,000 capital stock, which was increased to $3,000,000 on April 1, 1901; to $4,000,000 on April 6, 1906, and to $9,000,000 September 7, 1909. The Continental National Bank purchased the Globe National in November, 1898, and the National Bank of North America on October 27, 1904.

The largest bank west of New York, and one of the largest in the world, resulted from the consolidation, on August

1, 1910, of the Continental National and Commercial National Banks under the present title. On the same date the American Trust and Savings Bank (affiliated with the Continental National), and the Commercial Trust and Savings Bank (affiliated with the Commercial National), were merged into the Continental and Commercial Trust and Savings Bank. The Hibernian Banking Association, which is the oldest savings bank in Chicago, was purchased by the stockholders of the Continental and Commercial National Bank, August 11, 1911.

The management of the Continental National and of the Commercial National banks always responded to the needs of business by increasing their capital stock, and while from the beginning both were influential banks of the West, the institutions merged with them in each instance added very materially to the number of their customers and correspondents as well as to their deposits.

THE LOGGIA. AN ARCHITECTURAL FEATURE OF THE BUILDING WHICH IS EXCEPTIONALLY PLEASING TO THE ARTISTIC EYE

CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

THE men who served as officers and directors of the banks out of the consolidation of which came the Continental and Commercial National have been recognized as among the most capable, responsible and conservative bankers and business men of the country. They were leaders in that era of the greatest development, in a material sense, that has ever occurred. Such able bankers and financiers as John C. Black, H. F. Eames and E. S. Lacey, the latter having at one time been Comptroller of the Currency, were presidents of the Continental, Commercial, and Bankers National banks. The lists of directors and largest stockholders of these institutions included men who were and are today well known in business and banking circles for the success of their undertakings. Among them were: P. D. Armour, John C. Black, Henry Botsford, A. G. Van Schaick, Richard P. Crane, James H. Dole, William G. Hibbard, Marcus C. Stearns and Calvin F. Wheeler, of the Continental National Bank; P. R. Westfall, Henry F. Eames, Henry W. King, Alfred Cowles, S. W. Rawson, D. K. Pearsons, N. K. Fairbank, Franklin McVeagh, Henry Field, Jesse Spalding, Norman Williams, W. J. Chalmers, Robert T. Lincoln, E. H. Gary, Alexander F. Banks, Edward P. Russell, Robert H. McElwee, Alfred Cowles (whose father had been a director of the Commercial National Bank in 1866) of the Commercial National Bank; and Milton H. Wilson, Michael Cudahy, Daniel H. Burnham, Richard C. Lake, Charles H. Weaver, Charles T. Boynton, Francis A. Hardy, James W. Stevens,

A ROW OF TELLERS' CAGES IN THE MAIN BANKING ROOM
CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

Herbert F. Perkins and Edward S. Lacey, of the Bankers National Bank.

The board of directors of the Continental and Commercial National Bank is now composed of the following:

J. Ogden Armour, president Armour & Co.; Alexander F. Banks, president E. J. & E. R. R. Co.; John C. Black, former president Continental National Bank; Charles T. Boynton, vice-president Pickands, Brown & Co.; Eugene J. Buffington, president Illinois Steel Co.; William J. Chalmers, manufacturer; Alfred Cowles, president Rialto Co.; John C. Craft, vice-president; Edward A. Cudahy, retired; Robert J. Dunham, vice-president Armour & Co.; Albert J. Earling, president C., M. & St. Paul Ry. Co.; Bernard A. Eckhart, president B. A. Eckhart Milling Co.; Francis A. Hardy, chairman board of directors B. F. Goodrich Co.; Frank Hibbard, vice-president Hibbard, Spencer, Bartlett & Co.; Edward Hines, president Edward Hines Lumber Co.; Hale Holden, president Chicago, Burlington & Quincy Railway Co.; William V. Kelley, president The Miehle Printing Press & Mfg. Co.; Edward S. Lacey, former president Bankers National Bank; Richard C. Lake, retired; David R. Lewis, vice-president Hibernian Banking Association; Robert T. Lincoln, chairman board of directors of the Pullman Co.; Eames MacVeagh, treasurer Franklin MacVeagh & Co.; William H. McDoel, retired; Robert H. McElwee, president Menominee River Lumber Co.; D. R. McLennan, Marsh & McLennan; Joy Morton, president Morton Salt Co.; Alfred H. Mulliken, president Pettibone, Mulliken & Co.; Herbert F. Perkins, division manager International Harvester Co.; Edwin A. Potter, former president American Trust and Savings Bank; William H. Rehm, treasurer Northern Malt Co.; Arthur Reynolds, vice-president; George M. Reynolds, president; Edward P. Ripley, president A., T. & S. F. R. R. Co.; Alex Robertson, vice-president; James W. Stevens, president Illinois Life Insurance Co.; Charles H. Thorne, president Montgomery Ward & Co.; Ralph Van Vechten, vice-president; Herman Waldeck, vice-president; Charles H. Weaver, C. H. Weaver & Co.; Fred E. Weyerhaeuser, lumber, St. Paul, Minn.; Milton H. Wilson, president Wilson Brothers.

The officers are: George M. Reynolds, president; Arthur Reynolds, Ralph Van Vechten, Alex. Robertson, Herman Waldeck, John C. Craft, James R. Chapman, William T. Bruckner, John R.

THE BOARD ROOM. NOT OVER ORNATE AND ADMIRABLY ADAPTED TO ITS PURPOSE
CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

Washburn, vice presidents; Nathaniel R. Losch, cashier; Harvey C. Vernon, George B. Smith, Wilber Hattery, H. Erskine Smith, Wilson W. Lampert, Dan Norman, George A. Jackson, assistant cashiers.

AS soon as the Continental and Commercial National merger became a certainty, President Reynolds began planning a building suitable for such an institution; since completion the banking office has been pronounced the finest in the world.

Work was commenced in May, 1912, preparatory to the erection of the Continental and Commercial Bank building, on the block bounded by LaSalle street on the east, Adams street on the north, Fifth avenue on the west, and Quincy street on the south. The building was completed in May, 1914, at a cost, including the ground, of approximately twelve million dollars. This structure rests upon one hundred and forty-four concrete caissons which are supported by solid rock at a depth of some 101 feet below the surface. The building is 325 feet in length by 167 feet in width, covering over 54,000 square feet of land, and some 20,000 tons of steel were used in its construction. There are twenty-one stories, and it is 260 feet in height. In the center is a court 154 by 54 feet, faced with white glazed brick, giving superb light to the offices facing thereon.

There are three basements, the first of which contains the Continental and Commercial Safe Deposit vaults, the vaults of the Continental and Commercial National Bank, Continental and Commercial Trust and Savings Bank, and the Hibernian Banking Association. The sub-basement contains storage space, janitor rooms and machinery, and in the third basement there are four 500-horsepower boilers supplying 154,000

VIEW OF ENTRANCE TO SAFE DEPOSIT VAULTS, TAKEN FROM FRONT DOOR OF THE VAULT
CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

square feet of radiation, power to operate the elevators, and power for the machinery which pumps some 70,000,000 gallons of water to the top of the building each year, from which it finds its way to different parts of the building for various utilities.

There are twenty-six acres of floor area in this building, of which the entire first and second floors and portions of others are occupied by these three banks, and the remainder by some two thousand offices, over eighty per cent. of which had been rented by the time the completed building was ready for occupancy.

Toilet rooms are provided on each floor for the convenience of the tenants. There are three miles of corridors in this building flanked on either side by six miles of marble wainscot, seven feet high.

There are twenty-three electric passenger elevators and one freight elevator, the former of which will probably carry fifteen million people per annum. These elevators entail the use of nine miles of cable.

There are some two thousand stair steps, four thousand windows and sixteen thousand electric lights in this building, and it is estimated that when the building is fully rented there will be a population of approximately eight thousand persons, exclusive of those who come into the building to transact business with the tenants. It requires a force of some two hundred employees to maintain the building at the high degree of efficiency which has been set up by its management.

In addition to the space occupied by the three banks is a rentable area of 520,000 square feet. For the convenience of the women in the building there has been established a hospital and rest room with an adequate corps of attendants.

The room on the second floor, occupied by the Continental and Commer-

cial National Bank, is 320 feet in length by 162 feet in width. The skylight is seventy feet high and supplies light to the public lobby. The ceilings are thirty-eight feet in height and are flanked on four sides by fifty-eight windows which extend from a height of about four feet from the floor almost to the ceiling. In all, there are some twenty-eight marble columns, four feet six inches in diameter, in this room, which, together with the groined ceilings, give the interior an appearance more of an enormous art gallery than that of a business office. The marble in these columns as well as that in all other parts of the room, is of the finest tavernelle, imported from Italy, which produces a most chaste and dignified effect.

The first, or ground floor, is divided between the Continental and Commercial Trust and Savings Bank on the south side and the Hibernian Banking Association on the north side, both of which offices are done in the same quality of tavernelle marble.

The three banks housed in this colossal structure represent combined capital, surplus and undivided profits of $41,000,000, and average deposits of over $250,000,000. Their employees number some eleven hundred persons, who would represent a large community if their families were included.

In the office of the Continental and Commercial National Bank on the second floor, are ninety-two "windows" by which the management is enabled to serve the public in a manner impossible under old conditions. The "windows" are arranged in groups and each group represents a small bank in itself. Thus a customer may transact all ordinary business at two contiguous "windows" and will not be compelled to walk long distances to make deposits and cash checks.

ONE OF THE LARGE 28 X 16 FOOT COMMITTEE ROOMS OF THE VAULT DEPARTMENT, IN WHICH THERE ARE SIX ROOMS OF THIS SIZE, EIGHT ROOMS ABOUT 8 X 13, AND THIRTY-SIX BOOTHS 6 X 7 FEET. CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

A FEW statistics as to the volume of business flowing through institutions the size of these will be of much interest. For instance, the three combined banks have a total number of

STORAGE VAULT

Twenty-four feet wide by fifty-eight feet long. Observe cage at the north end, for the reception of small packages which could be carried out under one's coat, or otherwise, without the knowledge of custodian. This vault is kept under lock, except at times when customers have access to their goods.

CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

about 102,000 commercial, trust and savings accounts, whose average credits amount to over $45,000,000 per day, and the average number of items handled, exclusive of money, is some 250,000 per day. Receipts and disbursements of money per day will average $1,500,000, and the clearings, both "out and in," amount to some $30,000,000 more. The clearings of these banks represent thirty per cent of the total of all Chicago banks, while their deposits average twenty-three per cent of the deposits in Chicago banks, and eleven per cent of all deposits of all the State of Illinois. The Continental and Commercial National Bank has about 5,000 out-of-town bank correspondents, located in all parts of the country. This list of connections enables it to handle a vast collection and check clearing business for its customers and for other banks.

To expedite the enormous volume of this work there are some 512 machines of various kinds in use, the cost of which represents an outlay of over $120,000.

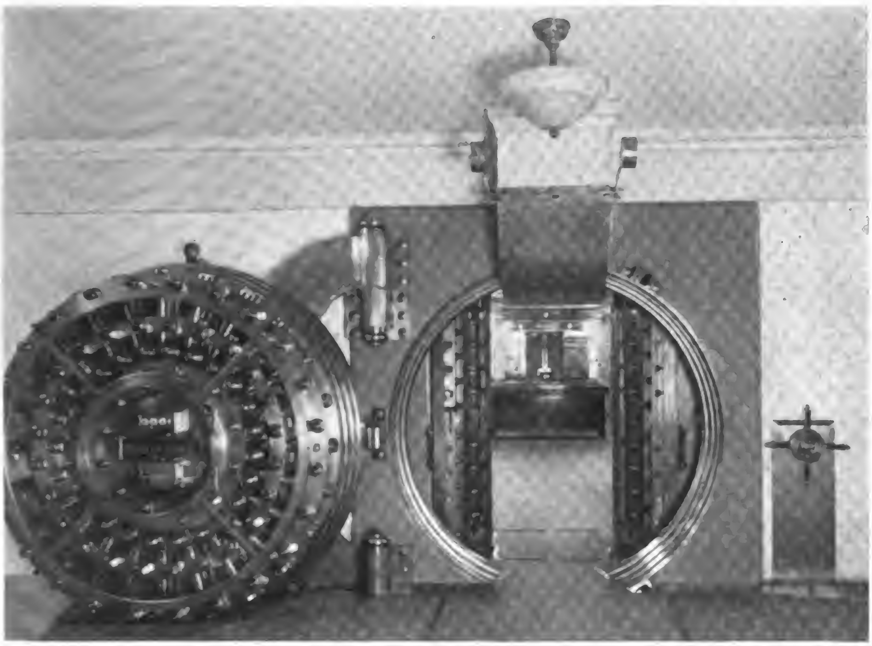
To accommodate and supply space for this small army of clerks, approximately 158,000 square feet, equivalent to 3⅝ acres, have been set aside for their use, which includes the first and second floors and portions of the third, fourth, fifth, sixth and seventh.

THE commodious safe deposit vault operated in connection with the three banks furnishes their customers and friends ample facilities for the safe-

keeping of securities, valuable papers, jewelry, and silverware. Boxes to the number of 8,621 have already been installed, and to meet the needs of the future, space has been provided for an additional 12,000.

In design, construction, and management the security of contents against loss by fire, burglary, or cunning has been the guiding rule. The arrangements for are courteous, but firm and well armed.

To move this vault equipment, and the many millions of dollars worth of securities and other valuables deposited in the safes, from the old building to the new, was no small task, and that it was accomplished without any loss or confusion shows to what extent preparation was made. The safes in use, at that time about seven thousand,



REAR CIRCULAR DOOR OF SAFE DEPOSIT VAULT

Measuring eight feet six inches in diameter, twenty-eight inches thick, and weighing twenty-three tons. It is equipped with twenty-four bolts each weighing seventy pounds, and is separated by quadruple time locks and automatic bolt shifter. The air chute is swung out of the vault when the door is closed, and the platform is depressed to allow for the swing of the arc of the door, which is below the level of the floor.

CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

opening and closing, and for giving customers access to their valuables are such that the presence of at least three men is required while the vault doors are open.

The trunk room, for bulky and weighty packages of silverware, etc., is one of the largest compartments of its kind in the West, and if filled to capacity would contain plate to the value of a king's ransom. No one is ever allowed to enter here except in the company of trusted attendants, men who were enclosed in large steel boxes, which were moved under guard, in the presence of character witnesses, who were not in any way connected with the safe deposit company. Because of the great weight of the material transferred the operation necessarily required considerable time, and the cash outlay for extra guards alone was over $2,000.

While the Continental and Commercial National Bank of Chicago is not the largest bank in the world, as gauged

RALPH VAN VECHTEN
VICE-PRESIDENT CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

ALEX. ROBERTSON
VICE-PRESIDENT CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

by the amount of its deposits, nevertheless it employs a larger number of clerks who handle more items, under one roof, than any other bank in the world, not excluding some of the larger joint-stock banks of England, one of which has deposits close to $500,000,000, drawn chiefly, however, from its several hundred branches throughout the United Kingdom.

EVERY movement of consequence, whether it pertains to government, social reform or commerce, and every institution of prominence, whether its functions be of a public or private nature, must have a man of great ability as leader. Leadership in the movement to make the Continental National Bank one of the biggest in the country, in its consolidation with the Commercial National, and afterwards in the management of the merged banks, fell to Mr. George M. Reynolds, one of the ablest bankers and financiers of the present generation.

Mr. Reynolds was born in Panora, Iowa, January 15, 1865, and began his business career as clerk in a general store in his home town. He afterwards held a clerical position with the Guthrie County National Bank, Panora, but in 1886 moved to Hastings, Neb., and there engaged in the farm loan business. Upon returning to Panora in 1888, he was made cashier of the Guthrie County National Bank, and in 1893 accepted the cashiership of the Des Moines National Bank, of which institution he became president on January 1, 1895. He

HERMAN WALDECK
VICE-PRESIDENT CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

J. R. WASHBURN
VICE-PRESIDENT CONTINENTAL AND COMMERCIAL NATIONAL BANK OF CHICAGO

was elected cashier of the Continental National Bank, December 1, 1897, at which time he moved to Chicago. Five years later he was promoted to vice-president, and in another four years the directors advanced him to the presidency. The bank had $12,000,000 of deposits when Mr. Reynolds came to it in 1897, and this important barometer of a bank's growth gained practically five and one-half millions annually up to the consolidation with the Commercial National Bank, for the deposits then stood at $90,000,000, the combined deposits of the two banks being $165,000,000 in round figures. To-day the Continental and Commercial National Bank's deposits are upwards of $200,000,000.

No man could have built such a monument unless he had possessed unusual financial and business acumen, but these alone would not have sufficed. To accomplish the task more was necessary—a keen appreciation of the possibilities of Chicago and its territory and of the resources of America, sublime courage, the quality of gaining and holding the confidence of the great leaders in other lines, a mentality strong enough and broad enough to solve big problems, a personality that vibrated with energy and an insatiable desire to work—all were needed, and Mr. Reynolds has all these qualifications in marked degree. Talk to him five minutes and you are impressed with the force of intellect, the splendid judgment, and the democratic ways of the man.

Those closely associated with Mr. Reynolds affirm that he gives every man a chance; that he is approachable and most fair in his treatment of both officers and employees of the three banks; that he is always ready and willing to listen to any matter they may wish to present; and that his grasp of any subject relating to either of the three in-

stitutions over which he presides is truly marvelous. He decides quickly, but all have learned to depend upon his conclusions implicitly. Many men have the faculty of leaving the impression of great ability upon those who seldom come in contact with them; many can, from exalted positions, acquire fame and favor with the public; but the real test of unusual ability is to be found in the frank expressions of a leader's business and personal associates. Mr. Reynolds has here stood the test. Everybody connected with the banks and everybody who has dealings with him has absolute faith in his fitness for the position to which he has been elevated.

Mr. Reynolds knows men. To this talent he owes much. He also knows how to inspire loyalty. In this he is not surpassed by any leader of today. The officers and employees of his bank do not put forth the best that is in them merely because they are on the payrolls, but persist in doing their full duty out of loyalty to the three banks and their president.

Quite naturally a man of Mr. Reynolds' experience and reputation as a financier has been the recipient of many honors. He was one of those most prominently mentioned for the office of Secretary of the Treasury in President Taft's administration. He was not content to sever direct connection with commercial banking at that time but no one doubts that he would have made a most enviable record if he had been a member of the cabinet.

When the National Monetary Commission was created and started on its trip to Europe to investigate the banking systems of other leading nations, Mr. Reynolds was invited to accompany it. This gave him an excellent opportunity to add to his knowledge of banking and finance. He was also a member of the Currency Commission of the American Bankers Association, which took active part in the propaganda for a more scientific banking and currency system in the United States. The deliberations and reports of that Commission helped to create sentiment in favor of legislation to provide adequate currency reform.

The highest honor bankers can pay a member of the fraternity is to elect him to the presidency of the American Bankers Association, of which organization Mr. Reynolds was president for the term of 1908-9; and among the positions of honor prized by Chicago bankers are those of president of the Bankers Club and membership upon the clearing-house committee. Both of these distinctions have been conferred upon Mr. Reynolds. He was also elected class A director of the Federal Reserve Bank of Chicago from Group One.

Mr. Reynolds is an interesting, clear and convincing speaker, and he has delivered many addresses upon financial and business topics.

[A portrait of Mr. Reynolds appears as a frontispiece in this number of THE BANKERS MAGAZINE.]

It is of note that Mr. Reynolds a year ago associated with him as first vice-president of the bank his brother, Arthur Reynolds, who for twenty years was president of the Des Moines National Bank of Des Moines, Iowa, and who has for some time been a figure of national prominence in financial circles. The two brothers were brought up in the banking business together, having formerly been associated in the management of the Guthrie County National Bank of Panora, Iowa, and the Des Moines National Bank of Des Moines, Iowa, and Arthur, like his brother George, has taken an active interest in the affairs of the American Bankers Association, having filled in succession all the important offices in the association, including that of treasurer, chairman of the executive council, vice-president and president. He was an active member of the Currency Commission of the Association and was also for seven years chairman of its Federal Legislative Committee. Thus it will be seen that the Continental and Commercial National Bank is the only institution in America having on its official staff two brothers who are ex-presidents of the American Bankers Association.

Banking Publicity

Conducted by T. D. MacGREGOR

ONE HUNDRED MONTHS

THIS MONTH, February 1916, is the one-hundredth consecutive issue of *The Bankers Magazine,* for which the present incumbent has acted as editor of the Banking Publicity Department. In that time—over eight years—a vast procession of bank advertising matter has passed in review before him and the readers of the Magazine. It is hoped with benefit to all concerned.

The article "Co-operation and Efficiency in Bank Advertising" which appears in the department this month was delivered as an address before sixty-five Pittsburgh bankers, members of the Bankers Ad. Association of that city. It outlines a new line of thought in banking publicity which merits the attention of every conscientious bank advertiser.

Co-operation and Efficiency in Bank Advertising

IF possible, I want to approach my subject from a new angle. Consequently, I'm first going to make a little incursion into the field of history.

The modern method of studying history is not to memorize dates or to attach too much weight to individual events, but to look at things in a broad way and to trace the great movements that are always taking place.

So we follow the struggle for personal liberty from the Magna Charta down to the Declaration of Independence and the Emancipation Proclamation.

Thus also we see how the French Revolution of over a century ago, followed by the Napoleonic wars, sowed the seeds which by stirring up national hatreds and creating vast armaments brought about the cataclysm in which Europe is now involved.

There are certain political, industrial and commercial movements which are as irresistible in their operation as a glacier, and sometimes as slow. When such a movement has started, the single individual or institution is as powerless to stand against it as a ten-ton boulder in the path of a million-ton glacier.

Now, this may seem like a rather grandiloquent way in which to approach the subject of co-operative bank advertising, but I believe that the large amount of present discussion and experimentation along this line on the part of bank advertisers is only one phase of a great movement which is well under way, a sort of ground swell that is being felt from one end of advertisingdom to the other.

A WIDESPREAD MOVEMENT

A FEW weeks ago "Printers' Ink" published a list of articles it had printed in the past two or three years on various phases of co-operative advertising. There were ninety-three such articles and the things or institutions being, or about to be, co-operatively advertised included these:

Milk, cheese, butter, flour, eggs, coffee, rice, oysters, maple sugar and ice cream.

Olives, lemons, oranges, apples, rai-

Eight MONDAY MORNING. THE PITTSBURGH POST NOVEMBER 29, 1915.

SAVING, NOT WISHING, WINS!

This slogan was submitted by Mr. Fred Vancurg, 926 Grand Avenue, Northside, was judged to be the winner of the prize offered by The Post for the most original and expressive thrift slogan received by the Thrift Editor not later than Wednesday, November 24.

Resisting the Tendency to Spend

A certain father has devised a rather novel plan to develop resisting power in his boys. Knowing the value of self-control, especially in money matters, he gives each boy a weekly allowance with the stipulation that it must be carried in the pocket during the week, and only half of it spent. One boy receives 20 cents each week. If he produces a dime at the week end, he gets another 20 cents; if he doesn't he gets only a dime. The other boy receives a dime and must produce a nickel to get another dime. There is thus a constant opportunity to spend, but a constant incentive to save—to resist. It may be that the reward spurs them on, but the fact remains that this father is developing resisting power in the boys that will stand them in good stead in after years.

There is merit in this plan, for the greatest achievement any man can make is to conquer himself; to overcome his natural tendencies and correct his inherent weaknesses. "Know thyself" is a good motto; but before you can command yourself, you must know yourself—get a grip on yourself, and learn to say "no" to yourself.

One of the most common weaknesses is self-indulgence—gratification. It may be gratification of an appetite, passion, love of dress, amusement, or what not, but it springs from the same root, lack of self-control. Children manifest this weakness in many ways—bursts of passion and unruliness, but especially in the childish desire to find pleasure in the spending of money for little gratifications, particularly candy. Many a merchant makes a living from this trait in children, and many parents foster it by too free indulgence in pennies with no "strings" on them. A dime to the average child does not mean two nickels, or 10 pennies, but two sodas. Money has value only as it buys something.

The boy who gets all the spending money he wants will develop spending tendencies that will last through life. A certain Western youth came East years ago for his health. His father was generous and allowed him plenty of money. He bought his candy by the nickel's worth, and a single mouthful cost a cent. He came East again in later years, for pleasure, and paid $10 to see a prize fight. It was the fruition of his early indulgences.

Even though children are compelled to work for their spending money, doing chores and little jobs, if they are allowed to spend freely with no restraint, it were better they did not work, for the good results of their industry are negatived by the bad results of their spending. To earn simply to spend is not so wholesome a proposition by far as to earn to acquire.

Numerous plans and schemes have been devised to teach children thrift, such as the penny banks, school savings banks, stamp saving systems, and the like, but if it is easy to spend after the money is once saved, the whole process is defective. We all had our penny bank, and how we did "touch" everyone who touched us! We rattled the pennies in glee, shook them out to count and put them back, broke the bank when we went broke, and sometimes had a riot of spending when we lost our self-control. But why practice self-control for a little time, only to lose it and discount all the previous good work? The father of these boys seeks to make self-control a lasting proposition.

You can't spend what you do not have. Money in the pocket burns. It is easy to say "no" to some alluring window or appealing advertisement when you have no money with you; but when the purse is full, how hard to turn away! You can't go if you haven't the price of a ticket; but how much better to stay at home when you have the price of a ticket with you! To carry money around and be able to say "no" to the many opportunities that appeal to you to spend is to develop character, resisting power, reserve and strength. It means that you know yourself and can conquer yourself. But until you are strong enough to say "no" and stick to it, you had better let the bank do the resisting for you, for this is what banks are for. You can't spend money while it is in a bank.

That Daughter of Yours

She's a little bit of a girl now! Maybe she's just learning to creep a little and lisp a few words that nobody can understand but you and her mother. Perhaps she has just started to go to school.

At any rate, her wants are few and simple as yet. But she is learning to want more all the time.

By-and-by she will need nice dresses, a high school, and perhaps a college education. If she's at all musically inclined she will want a piano and many lessons on it.

If you are a wise, forward-looking father you will begin today to save for the increasing needs of your growing daughter. If you have more than one daughter, if your "quiver is full of them," your responsibility is proportionately greater.

A Philadelphia schoolgirl asked permission to quit school and go to work. She said her father had been killed, her mother was ill, and her brother on half pay, so she had to help support the family.

Might a series of misfortunes put YOUR daughter into a similar position? Or is your life insured, and are you building a bulwark of savings at the bank to protect her from such a possibility?

This is frankly a sermon, but it is short, and, we trust, as sweet as its text.

NEXT WEEK—"THRIFT MAKES HAPPY HOMES"

How to Save

PITTSBURGH BANK FOR SAVINGS
Fourth Ave. and Smithfield St.

Save a Dime a Day For Your Boy

P.ITTSBURG TRUST COMPANY
323 Fourth Ave.

4% On Savings

THIS bank cordially invites your savings account, assuring you most painstaking service and absolute safety. We pay 4%, compounded twice a year.

Commonwealth Trust Company
312 Fourth Avenue

MUNICIPAL BONDS
5% to 6%

CONTINENTAL TRUST CO.

Over 26 Million Dollars Increase in Deposits

Are You Saving Your Share?

Farmers Deposit Savings Bank
Fifth Avenue and Wood Street, Pittsburgh Pennsylvania

BRING IN YOUR SAVINGS CHECKS

THRIFT
Is a Splendid Word

4% INTEREST, COMPOUNDED SEMI-ANNUALLY

Peoples Savings Bank
Cor. Fourth Ave. and Wood St., Pittsburgh, Pa.

The First-Second National Bank Savings Department

will be pleased to give any reader of this paper who expects to join an Xmas Banking Club an interesting and unique pass-book. It shows how rapidly money accumulates when regular deposits are made and interest is allowed from day of deposit. We would be glad to have you call.

Wood St. & Fifth Ave.

Convenient For You

Do You Save as You Earn?

POTTER TITLE & TRUST CO.
FOURTH AND GRANT

Bank Accounts For Christmas

But please arrange for them early, so there will be time for the gold lettering.

4% COMPOUND INTEREST

The Union Savings Bank
"Where Savings Are Safe"
FRICK BUILDING
Pittsburgh

THE SAVINGS HABIT
Means Prosperity and Independence.

4% INTEREST

DOLLAR SAVINGS & TRUST CO.

CAPITAL AND SURPLUS $2,000,000.00

CO-OPERATIVE THRIFT ADVERTISING BY PITTSBURGH BANKS

sins, cantaloupes, onions, pineapples, and even the humble prune of boarding-house fame.

Magazines, books, newspapers, farm publications and trade papers.

Banks, building and loan associations, insurance companies, real estate mortgages, churches, chambers of commerce, hotels, resorts, railroads and express companies.

Men's wear, tailors, laundries, shoes, dyers and cleaners.

Cattle breeders, canners, grocers, department stores, machinery, moving pictures.

Oil, tobacco, jewelry, nails, auto trucks, electric vehicles and asbestos mats.

Both flowers and fertilizers.

Brick, hardware, and these various kinds of lumber: white pine, cypress, hemlock and black walnut.

This miscellaneous list is reminiscent of Lewis Carroll—

"The time has come," the Walrus said,
  to talk of many things:
Of shoes—and ships—and sealing
    wax—
Of cabbages—and kings."

But I believe the mere mention of the widely different interests that are now turning towards co-operative advertising is convincing evidence that whatever we bank advertisers may be doing in this direction is only part of our manifest destiny, as it were, and the sooner we learn the best possible methods of advertising our banks in this manner, the better it will be for us and the institutions we represent.

MANY SUCCESSFUL CAMPAIGNS

IN speaking of this subject editorially, "Printers' Ink" said:

Possibly some of the campaigns have failed to produce the results expected, but we know of many which have attained to conspicuous success. But this is certain: that the failures were not due to failure of the co-operative idea. That idea is sound, though it is not proof against unsound methods. The right kind of advertising agent, and the right kind of publisher, can do much to guide the development of co-operative advertising along profitable lines.

Now right here, in order to bring the subject before us in a concrete way, I want to exhibit some samples of co-operative advertising and offer a few opinions concerning them.

BASIS FOR CO-OPERATIVE ADVERTISING

THE basis for a co-operative advertising effort in any line of business is the fact that there are always some phases of the question that are peculiarly problems of the business or industry as a whole.

This certainly applies to banks and trust companies because their common aim is to inculcate businesslike habits, to loan the banks' funds safely and profitably, to stir up ambition, to bring about a realization of duty as touching such things as the making of a will or the use of safe deposit protection for valuables. These are all general problems. No one financial institution can have a monopoly of them any more than it has the sole responsibility of instilling ideas of thrift in its community.

Uppermost in the minds of the members of any association co-operating in this way is the question, "How can we all help to increase business in our line and each get our commensurate share of the increase?"

In brief, the idea can be summed up in these words:

A co-operative movement of competitors for the good of the whole business.

The *modus operandi* is to pool a portion of the advertising appropriations of all interested and adopt a systematic plan of advertising the general features of the business, the expense being prorated in some equitable manner, and all details, including the copy, space contracts, proofreading, and so forth, to be handled at one office.

Inasmuch as most of you men have had much practical advertising experience, and in further view of the fact that Pittsburgh banks are already doing more or less co-operative advertising, I am assuming that you don't need to be "sold" on the idea, but that what you want is practical suggestions for the most efficient working out of the plan.

However, there may be some "doubting Thomases" among you and maybe here and there a "man from Missouri."

COMPETITION IS DESIRABLE

I IMAGINE that if there is any objection to co-operative bank advertising on the part of any man present one of the reasons in the back of his head is that, on account of some special conditions, he is not sure that his institution will get benefits proportionate to its share of the cost. Perhaps he fears that too much competition may be stirred up by this kind of an advertising campaign.

The old saying that "competition is the life of trade" applies to the banking business as much as it does to any other. If each community had only one bank there would not be as many bank depositors nor as much bank business transacted as under the present conditions of competition.

It is a fact proved beyond dispute that certain meritorious articles do not succeed because they lack competition. For instance, I know that manufacturers of office appliances would rather have competition than not, because it educates the public to the *idea* and thus makes it easier for all to secure new customers.

The Yawman & Erbe Co., of Rochester refer specifically to a letter copying device which is a good thing, but not a good seller because no other company makes a similar machine.

Why is it that our big department stores are so often located in close proximity to each other?

These merchants know very well that when women start out to buy something they "go shopping" and having the stores near together simply facilitates the process of buying and the multiplied impressions and suggestions of rival stores only stimulate the desire to buy.

THRIFT CAMPAIGNS

LET us consider first of all the matter of a co-operative thrift campaign for just now there seems to be greater need of effort in that direction than in any other.

We all know that savings and other bank deposits are now at a very high ebb everywhere. Some banks are fairly bursting with money and rates are low.

But I believe that the present plethora of funds in the banks is due not so much to a large increase in the number of depositors as to the fact that many individuals and firms are piling up a cash surplus against the day of increased opportunity which they feel is close at hand, but are not sure enough of as yet to make permanent investments in extensions or new enterprises on the strength of it.

I have not available the exact figures to bear me out in this opinion, but I know that it is one that is shared by many bankers and financial writers.

However, there is bound to be use soon for every dollar of capital we can accumulate in this country. I need not go into this matter at any length. You undoubtedly are as familiar with the situation as I am.

You know what a large amount of capital our American enterprises formerly obtained from Europe.

You know that while this war lasts and for a long time after peace is declared, the shoe will be on the other foot—Europe will have to come to us for capital.

You know that Latin-America will likewise look to the United States for the financial assistance which she used to receive from Europe in consideration of the trade she sent thither.

You know that our own vast enterprises and our schemes for national progress and national defense will call for millions upon millions of dollars annually.

We will obtain some of these funds by "passing the buck" to posterity in the form of long-term bond issues, but, in the main, this new capital must come from the present savings of the American people.

Upon the banks as the great reservoirs of capital and conservators of the people's thrift must devolve the responsibility not only of assembling and protecting these vast funds, but also of directing them into the proper channels.

Owing to the frailty of mankind—or the pure cussedness of human nature, if you prefer—a period of great prosperity is always a time of extravagance and speculation.

This is my first visit to Pittsburgh. So that all I know about your city is by reputation. I am given to understand that times are pretty good here now. When that is the case in Pittsburgh, the people in the country at large expect to hear of money flowing like water in this city where millionaires are made overnight and steel puddlers ride to their daily toil in taxicabs instead of street cars.

THE PERILS OF PROSPERITY

FROM a recent commercial report I read:

"Pittsburgh's industrial districts are teeming with activity, the great demand for steel products having necessitated the enlargement of the industrial plants, and the engaging of many additional laborers. The banks and trust companies are anticipating a session of great activity also; the new expansion along commercial and industrial lines will call for an abundance of new capital."

Last month I received a letter from the advertising manager of the Philadelphia "Public Ledger" in which he said:

"Many cities are forging ahead and getting business. But it so happens that Philadelphia is the centre of industries that have been especially favored by the European war. Sad as this war is and much as it is to be deplored, it has brought to Philadelphia an immensity of business that has put ordinary labor where skilled labor was a few years ago. Philadelphia's wage earning purse is bursting open with prosperity. Never have such times been known in this city. Money is being spent with a liberality that surpasses even the holiday spending of the best years heretofore."

I suppose the same is true of not a few other Eastern cities. In the Twin Cities and in other Western centers we are prosperous now on account of the vast crops that were harvested this year and are now being sold.

The prospects of general prosperity in this country being so good, it is not strange that many of us are inclined to forsake the straight and narrow path of economy for the "Broadway" of extravagance, which is pleasanter for the nonce.

Nor is it strange that some of us are inclining our long and furry ears toward the siren song of the stock ticker and the get-rich-quick faker. We are now in the midst of a fever of speculation. I was in New York yesterday and they told me that thousands of clerks and bookkeepers are working all night long in Wall Street to keep up with the speculative activity due to the traffic in "war babies."

Now, this is not the first time that babies have kept people up nights, but never before has it occurred on such a scale as this, and it's safe to predict that never has there been such a squealing as will arise when something really happens to these "war babies."

It looks as if the bloody battlefields of Europe would have a counterpart soon in the slaughter of the innocent lambs of Wall Street.

It is to mitigate that as much as it is to attempt to stem the swelling tide of extravagance that such great banks as you represent here should be willing to co-operate in using the most effective kind of advertising that it is possible to do.

THE BIG GUN OF PUBLICITY

I FIRMLY believe that co-operative or community advertising, supplemented by regular advertising of the separate institutions is the solution of that problem.

It is a 42-centimeter gun of publicity supported by a well-trained regiment of sharpshooters and batteries of machine guns.

To some extent banks here and elsewhere are educated to the co-operative advertising idea especially as it

relates to thrift. This is partly due to the "Talks on Thrift," the free editorial matter sent out by the Savings Bank Section of the American Bankers Association. I am quite familiar with that particular phase of the association's general campaign of popular thrift education, as it was primarily my own idea, I wrote all the copy for the first three years and the "Talks" formed the basis for my recently published work, "The Book of Thrift."

The effort was made to have these articles smack as little as possible of the press agent who is *persona non grata* in most newspaper offices. As a result they have been quite widely used and in many cases the advertising of the local banks in the newspapers using the "Talks" is run next to them.

However, I am free to admit that for a city the size of Pittsburgh, it would be better to have special matter prepared not only on thrift but on commercial banking, trust matters, safe deposit boxes, banking for women, investments and on all other phases of banking service which are points of contact between the banks and the public —their depositors and customers, actual and prospective.

If you are going into this co-operative advertising plan of course you want to do it right.

You will pay a good price for the newspaper space. In using it don't emulate the example of the man who bought a fifty-dollar frame for a fifty-cent chromo.

It will be a good investment for you to pay for the services of some one who can effect that rare combination in financial advertising—"Pep, Punch and Propriety."

And the fact that the utmost skill is used in the preparation of the community portion of advertising wil put each individual bank on its mettle to get the best possible results from its own individual space so that the whole standard of bank advertising in this city will be raised, even though it stands very high now.

The result will be, therefore, that these superlative community and individual efforts will raise Pittsburgh bank advertising efficiency to the "nth power."

PRACTICAL SUGGESTIONS

NOW, my prescription for an effective co-operative advertising campaign for you Pittsburgh bankers is

Use space enough.

Run the ad. at least once a week in each paper used.

Have high-grade illustrations in the advertisements.

Change the copy with each insertion, but maintain the same typographical style throughout.

Put human interest into the copy.

And the greatest of these is human interest.

People have too many interesting things to read now-a-days to want to wade through a long and heavy discussion of financial matters.

Nor will they read with avidity anything that shouts on the face of it "I am a bank advertisement."

They must be beguiled for their own benefit and receive their financial medication in the form of sugar-coated pills that will slip down easily.

The thrift portion of the campaign naturally provides the widest field for this kind of an appeal, as the first chapter of so many stories of success is located in a savings bank. But I maintain that it is also possible and advisable to inject into the commercial and trust copy a certain amount of this "humanness."

For example, instead of saying in a stilted and formal manner that the banks of this community "are ready and willing to make commercial loans on approved security," and so forth, let us tell the story of a young business man who early in his career tied up with a certain bank; how his balance and acquaintance at the bank grew; how he stood by his bank and how his bank stood by him. A few concrete instances of how having a bank account and using the bank's facilities have helped a man over tight places, and

enabled him to take advantage of opportunities, is worth reams of catalog-like statements of what the bank has on its shelves, so to speak.

To my mind, the whole realm of financial advertising presents no more barren waste than the average statement of the fiduciary capacities of a trust company. Now, it must be admitted that making a will or having your will probated is not a cheerful subject, for you at least. But by no means do I mean to go to the other extreme. There are other avenues of appeal to a man beside his funny bone. The skilful ad. writer can play upon conjugal and parental love, sympathy, business acumen and common sense.

Again, in the case of the trust articles I would urge you to go much further than the customary statements that a trust company "acts as executor, administrator, trustee, guardian, attorney-in-fact," and so on, *ad infinitum, ad nauseum.*

Nor would I go into a detailed and categorical explanation of these things.

Instead of that, for example, I would publish some true stories from real life, like the following which I wrote from my own personal knowledge of the circumstances:

WHEN AN EXECUTOR DIES

THE writer recently had brought to his attention in a forcible manner the trouble and confusion, not to say jeopardy to the interests involved, which result when an individual executor dies in the midst of the administration of estates placed in his charge.

There recently died suddenly, in the prime of life, one of the leading citizens of a small community, a man of some wealth and considerable ability. There was no trust company in the town and the efficiency and integrity of this gentleman having been so well known, the people of the place had been in the habit of coming to him with their financial problems and he had been chosen executor and appointed administrator of quite a number of estates.

At the time of his death this man was looking after the interests of four different estates, and was the custodian of as many more wills. As soon as he died, trouble began for the heirs of these various estates. They found that they could not receive money due them nor take any action until an accounting had been rendered and a new executor chosen, or a new administrator appointed by the court. This worked hardship in a number of cases, and caused inconvenience in all.

It was unfortunate also for the widow of this executor as she had been made executrix of her husband's own estate, and so she was responsible for anything going wrong with the interests of others her husband had been looking after, until new means of administration or management had been provided for legally.

As for the persons who had left their wills in this private individual's safe, they hastened to find someone else willing to assume the responsibility for the safe keeping of the document, while some of them did what they should have done in the first place, that is, appointed a good trust company executor of their estate and placed their last will and testament with the institution for safe keeping.

This true account of an actual incident which is being constantly repeated everywhere, carries this moral—name, as your executor, a strong, State-protected and perpetually existing institution and the best interests of your heirs will be subserved while the integrity of your estate will be preserved.

The newspaper advertising with its well displayed, interesting and convincing copy, both in the general article that is a common battery of power and in the individual advertisements that form the points of contact for the various institutions, should by no means be the end of your co-operative effort.

HOW FAR TO CO-OPERATE

I SEE no reason why your co-operative advertising should not extend likewise to the street cars and bill-

boards Might it not even be feasible to publish a monthly co-operative bank house organ and call it "The Pittsburgh Bank Depositor" or something like that?

This latter might be used for the intensive cultivation of the present depositors of all the banks and it would contain no display advertising at all and only incidental mention of the various institutions.

The big idea is that by co-operating in the publication of such a magazine you would be able to produce a much more effective periodical than any of you could afford to get out individually. The vastly greater quantity used would reduce the cost per copy and enable you to secure the highest grade of editorial matter and illustrations.

Your mailing list is already at hand in the names on your account ledgers. Those of you who use the statement system and return the canceled vouchers on the first of the month could give out the paper with the statement and thus save postage.

It would be necessary to go over all the lists alphabetically to avoid duplication of names. I realize that right here there might be some difficulty because one bank might not want the others to know who its depositors were. But would this not be obviated by having the work in charge of one impartial manager? And besides if there isn't honor among banks and bankers where are we going to find it?

As I understand it, the plan you have in mind is to put this co-operative advertising into the hands of a committee of your association. Soon you will find that it will require the entire time of one or more persons if it is done as it should be done and with an eye to permanent results.

Your plan must be endorsed by the Pittsburgh Clearing House. This is as it should be, and I am confident that that organization will be more broad-minded and farsighted than similar organizations in some other cities that I know of where the clearing-house banks have agreed to do only a minimum of advertising. This I think is a "combination in restraint of trade," and the trust buster ought to get after it.

A NATIONAL MOVEMENT

THE scope of co-operative financial advertising is broader than any one community, for under this head we must consider the recently formed Financial Advertisers Association, which has been accepted as a departmental branch of the Associated Advertising Clubs of the World. One of the greatest benefits of this organization will be the opportunity it will afford for the exchange of ideas and experiences. In a way, this discussion and co-operation may be even freer than is possible in a local association inasmuch as the feeling that there is competition among the members will be almost entirely eliminated.

While not to be classed as advertising pure and simple, nevertheless the work of the Savings Bank and Trust Company Sections of the American Bankers Association is along this line. I am more familiar with what the Savings Bank Section is doing.

Firstly, it is encouraging the establishment and maintenance of school savings banks.

Then it prepares and sends out every month to a list of about a thousand newspapers and bankers a set of weekly "Talks on Thrift" for the use as free editorial matter in the newspapers and as advertising material by the bankers. These are being used extensively.

A two-reel motion picture play, entitled "The Reward of Thrift," issued partly under the auspices of the Savings Bank Section, has been shown in almost 3,000 theatres and about 2,000,000 people have seen the play, which portrays the fortunes of a thrifty workman and his little family, showing how thrift in time of prosperity tides over a time of adversity.

The section is also co-operating with Y. M. C. A. organizations by providing them with a thrift exhibit and furnishing them with a personal cash account

folder for free distribution to members.

The latest activity along this line is a nation-wide campaign for the encouragement of thrift to be conducted through the various chapters of the American Institute of Banking, the organization of bank clerks, which in their several communities will conduct courses of popular lectures on banking and thrift.

FOR GREATEST EFFICIENCY

CO-OPERATIVE bank advertising makes for the greatest efficiency because:

It largely lessens duplication of effort.

It means the greatest economy in space-buying.

It gives greater prestige and momentum to a campaign and focuses public attention on the united message of the banks of the community.

They say that money talks, but when all the banks in a city get together on a movement of this kind it fairly shouts and the masses are bound to hear and heed.

Emerson said, "Concentration is the secret of power." When all the banks of a city work together—for that is the real meaning of "co-operation," in a wisely-planned and skilfully-executed campaign like this, results are bound to be obtained.

There can be no other outcome, because such a force is well-nigh irresistible.

And there are certain collateral benefits of such co-operative effort that are quite worth while.

First among them, I would place the stimulation of the individual banks to put their best foot forward in their advertising so as not to be outdone by competitors both as a matter of pride and also to actually get a proper share of the new business created.

Then in union there is strength to protect the banks against the assaults of the special edition solicitors and programme copy chasers. The individual banks will be saved a lot of time as well as money in this way.

"Collective bargaining" with the newspapers will enable you to get better rates on space contracts and the large copy will insure good position and display.

You will find also that the good feeling generated in the business office of your newspapers by the liberal use of space by the banks will seep through into the editorial department and you will be well treated in the matter of news mention when it is really warranted, although I know you already have that kind of co-operation from the Pittsburgh newspapers.

"UNITED WE STAND"

THE fact that your banks are standing shoulder to shoulder, as manifested by their getting together on an advertising campaign like this, will have a strong moral effect on your community. So that if anything approaching a panic should ever come again, which heaven and the Federal Reserve Board forbid, you would be prepared to man the trenches at once and pour in some hot shot in time to save the day.

With apologies to the shade of Daniel Webster, I want to express the wish that when my eyes shall be turned to behold for the last time the advertising of banks, may I not see it dissevered, discordant, belligerent; may I not look upon a page full of many ads. trying to tell the same story with varying degrees of skill and treading on each other's toes. Let their last feeble and lingering glance rather behold a strong, united appeal of all the banks in the community, well written and well displayed, exploiting as its motto no such timeworn expression as "Every accommodation extended consistent with conservative banking," but everywhere, spread all over it the modern spirit of co-operation and efficiency, now and forever, one and inseparable!

JAMES B. FORGAN
RECENTLY APPOINTED CHAIRMAN OF THE BOARD, FIRST NATIONAL BANK, CHICAGO

Changes in the First National Bank of Chicago

IT was announced last month that James B. Forgan, formerly president of the First National Bank, and of the First Trust and Savings Bank, has retired from the presidency to become chairman of the board. Frank O. Wetmore has succeeded him as president of the First National and Emile K. Boisot has been made president of the First Trust and Savings Bank.

In addition to these changes Charles H. Newhall, owing to the condition of his health, has retired from the vice-presidency in charge of division E and has been succeeded in that position by William J. Lawlor, who was formerly assistant cashier. John P. Oleson has been advanced from the position of assistant cashier to that of vice-president and James B. Forgan, Jr., has been transferred from the Second Security Bank to the position of assistant cashier to assist William J. Lawlor, vice-president in division E, while Arthur P. Kemp has been advanced to the position of assistant cashier to take the place of Mr. Lawlor in division C under Charles N. Gillett, vice-president, and H. A. Howland, cashier.

In the First Trust and Savings Bank, in addition to the election of James B. Forgan to the position of chairman of the board and E. K. Boisot to the presidency, Mr. Louis Boisot has been elected vice-president in charge of the trust department, in which he will be assisted by Roy C. Osgood as trust officer. Mr. Osgood was formerly assistant trust officer, and is succeeded in that position by Oliver A. Bestel. B. C. Hardenbrook, formerly cashier, has been elected vice-president in charge of the banking department and Frank M. Gordon, formerly manager of the bond department, has been elected vice-president in charge of that department. The other officers remain the same as before.

In November, 1915, "The Review," a monthly periodical published by the employees of the First National Bank, contained an interesting biographical

FRANK O. WETMORE

PRESIDENT FIRST NATIONAL BANK, CHICAGO

Mr. Frank O. Wetmore was born at Kalamazoo, Michigan, on November 12, 1867. Shortly thereafter his parents removed to Adrian, Michigan, where he attended school. In 1886 he came to Chicago, secured employment in the First National Bank of Chicago and worked in various capacities until 1897, when he was elected auditor of the institution. In 1904 he was chosen assistant cashier, which position he held for two years and in 1905 was promoted to the cashiership. He served in this capacity in 1905 and 1906 and in 1907 was elected to the vice-presidency of Division B. In 1908 he was relieved of his special duties as vice-president of Division B, in order that his services might be devoted to assisting the president in the supervision of all the credits of the bank. In 1910 he was elected a director of the First National Bank and its affiliated institution, the First Trust and Savings Bank. On January 11, 1916, upon the election of Mr. James B. Forgan as chairman of the board of directors, Mr. Wetmore was elected president of the First National Bank.

account of Mr. Forgan's career which will bear reprinting at this time. "The Review" said:

"Scotland has long been famous both for its banking system and for the financiers which it has produced. The Bank of England, doubtless the strongest financial institution in the world, was founded in 1694 upon a plan formulated by a Scotchman. Almost every important banking house in London has a son of Caledonia among its leading spirits. A similar statement can be made of many banking institutions in the United States and Canada. Scotchmen by birth or descent are among the leading financiers of our large cities.

EMILE K. BOISOT

PRESIDENT FIRST TRUST AND SAVINGS BANK, CHICAGO

Mr. Emile K. Boisot was born on February 26, 1859, at Dubuque, Iowa, and was educated in the grammer and high schools of that city. In 1875 he obtained employment with the German Bank of Dubuque, where he remained for three years. Coming to Chicago in 1878, he immediately entered the bond department of the First National Bank. After serving in different capacities he was on January 1, 1897, promoted to the managership of the foreign exchange and bond department. In 1901, upon the separation of these two lines into distinct branches, Mr. Boisot retained charge of the latter department. On December 28, 1903, upon the opening for business of the First Trust and Savings Bank, the affiliated institution of the First National Bank, Mr. Boisot was chosen vice-president and manager of the former institution. In 1906 he was elected a director of the First National Bank and First Trust and Savings Bank and in 1910 was elected to the vice-presidency of the First National Bank. Upon the election of Mr. James B. Forgan as chairman of the board of directors, on January 11, 1916, Mr. Boisot was elected to the presidency of the First Trust and Savings Bank.

"Foremost among bankers of the new world stands a Scotchman, the subject of this sketch, Mr. James Berwick Forgan, president of the First National Bank of Chicago, one of the leading institutions of America. His career is one of constant and sustained advance. Mr. Forgan was born in St. Andrews, April 11, 1852, son of Robert and Elizabeth Berwick Forgan, studied at Forres Academy, Forres, and Madras College, St. Andrews, and entered the employ of the Royal Bank of Scotland, St. Andrews, at the age of seventeen. Having finished his apprenticeship of three years in that institution he obtained a position with the Bank of British North America in London, who later on sent him to their branch at Montreal, Canada. After filling various clerical positions in the Montreal, New York and Halifax branches he accepted a position in the Bank of Nova Scotia at Halifax, in which institution he rapidly arose to higher appointments. He became successively agent of the Bank of Liverpool, Nova Scotia, and Woodstock, New Brunswick, and was then promoted to the position of inspector of branches. By this time his reputation as an able and forceful banker had been fully established.

"In 1885 he came to the United States and established at Minneapolis a branch of the Bank of Nova Scotia. Three years later at the invitation of the directors of the Northwestern National Bank of Minneapolis he accepted the cashiership of that institution, which under his management was soon recognized as one of the strongest institutions of the Northwest.

"Mr. Forgan had become a banker of national reputation and when in 1892 the First National Bank of Chicago looked about for a man of the highest executive ability as vice-president of the institution, its choice fell

upon Mr. Forgan. He was elected to that office and at once took hold of its affairs with a master hand. He was virtually chief executive of the bank in the early part of 1897 when Mr. Gage, until then president of the bank, entered the cabinet of Mr. McKinley as Secretary of the Treasury. In January, 1900, Mr. Forgan was elected president of the bank. The importance of this institution may be seen when it is pointed out that according to the latest published statement shown on another page, its capital is ten million dollars, its surplus ten million and its deposits exceed one hundred and forty million. In addition to these figures may be quoted those shown by the First Trust and Savings Bank, an institution closely united with the First National Bank and started less than twelve years ago upon Mr. Forgan's initiative with a capital of one million dollars taken from the surplus of the First National Bank. It has now a capital of five million, a surplus of five million and deposits of sixty-two million dollars.

"Mr. Forgan is chairman of the board of directors of the Security Bank and of the Second Security Bank, both of this city; is a director of the Federal Reserve Bank of Chicago, also president of the Federal Advisory Council. He is a member of the directorates of the American Radiator Co., Standard Safe Deposit Co., National Safe Deposit Co., Equitable Life Assurance Society of the United States, Fidelity and Deposit Co. of Maryland, Chicago Title and Trust Co. and the Guarantee Co. of North America.

"Mr. Forgan is not only a banker of the foremost rank, but also a citizen of the highest standing in his community. While his great ability, his powerful intellect are recognized throughout the banking fraternity of the world only those who are closely acquainted with him know the fine qualities of his character and the generosity of his heart. By the staff, both official and clerical, of the various institutions under his control he is looked up to with affectionate devotion. By the creation of a generous pension fund he has set himself a monument in the hearts of his men more enduring than the magnificent bank building which upon his initiative has been reared in the heart of Chicago's business district. He is a trustee of the Presbyterian Hospital and a patron of numerous other charitable and philanthropic institutions. He is a member of the Fourth Presbyterian Church, of the St. Andrews Society of Illinois and various clubs of high standing.

"As to his family life, on October 19, 1875, Mr. Forgan married at Halifax, Nova Scotia, Mary Ellen Murray, daughter of Donald Murray, merchant, and they have four children, Robert D., Mrs. J. Wilhelmina Ott, Donald M. and James B., Jr. Mr. Forgan resides at 1415 North Dearborn street, Chicago."

Good Word For the Banker

BANKERS are often criticised and not infrequently denounced by politicians as public enemies. It is therefore refreshing to read the following testimony to the banker's worth, taken from an address delivered before the recent conference of Southern bankers at New Orleans by Clarence Onsley, director of the extension department of the Agricultural and Mechanical College of Texas:

"It is fair to say, and it should be said with emphasis and enthusiastic appreciation, that the bankers of the United States have rendered a noble service to all commerce and industry by their wise action in adjusting financial and commercial operations to the exigencies of war. I delight to give this testimony to their patriotism, to their alertness and to their abilities from the beginning of the war to this good day. They have been chiefly instrumental in saving the nation from a disastrous panic, and in preserving to the utmost international commercial transactions which were thrown into chaos by the outbreak of hostilities involving half the world."

Orson Smith

CHAIRMAN OF THE BOARD OF DIRECTORS MERCHANTS LOAN AND TRUST CO., CHICAGO

Edmund D. Hulbert Succeeds Orson Smith as President of the Merchants Loan and Trust Co. of Chicago

ON February 1, 1916, Edmund D. Hulbert, formerly first vice-president of the Merchants Loan and Trust Company, succeeded Orson Smith as president of that institution. Mr. Hulbert has long ranked as one of the country's leading banking authorities, and his addresses on currency and banking matters have aroused wide attention and interest. He has frequently addressed conventions of bankers and has also appeared before committees of Congress when legislation on banking and currency has been under consideration, and his views have justly been given weight. As a banker he possesses sound judgment and wide and thorough information. His acquaintance throughout the country is extensive, and he is deservedly popular.

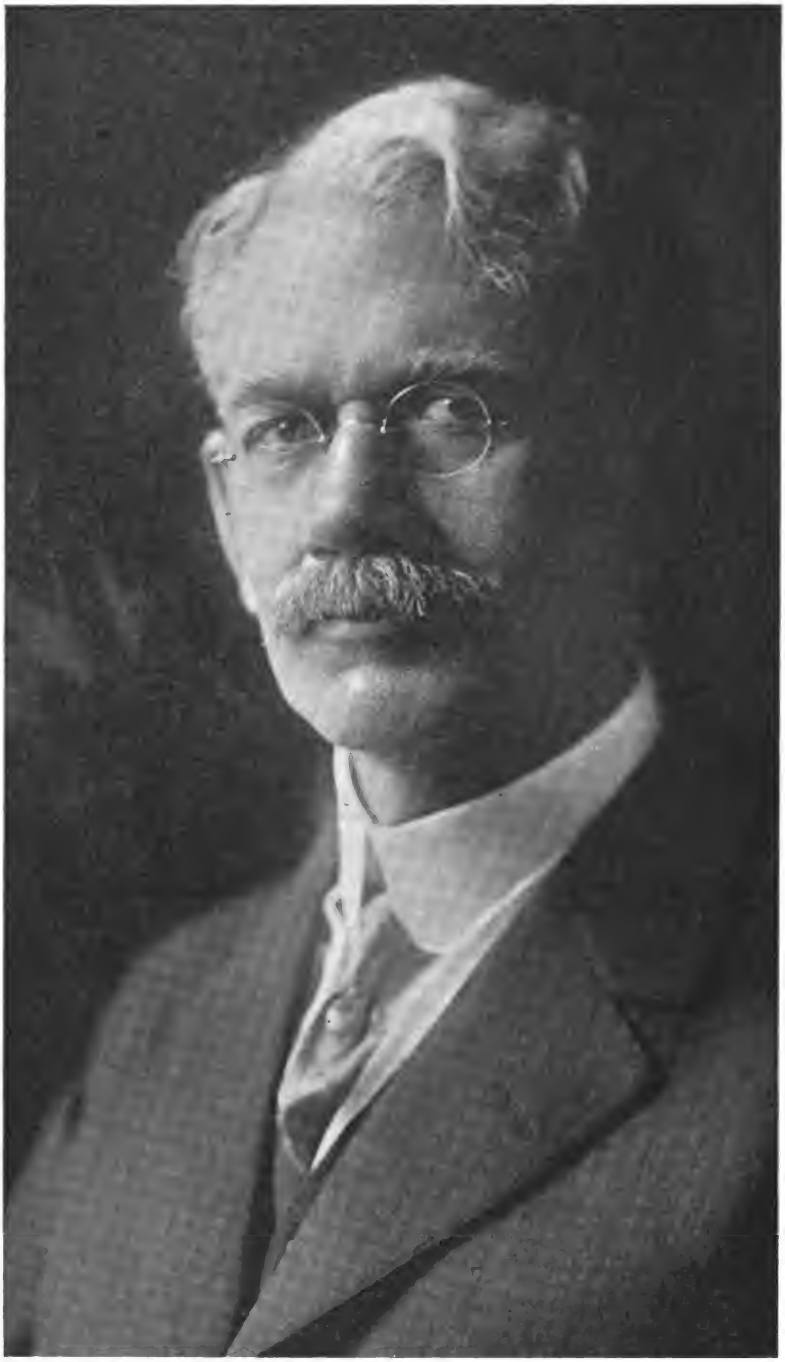
Mr. Hulbert has been a Chicago banker since 1895, when he became second vice-president of the Merchants Loan and Trust Company. He started his banking career in 1875, when at the age of seventeen he became a messenger for the Hurlbut National Bank in Winsted, Conn. Two years later he went to Winona, Minn., entering the First National Bank there. He was cashier of this institution when he was called to Chicago. When J. W. Doane retired from the presidency of the Merchants Loan and Trust Company, Mr. Hulbert succeeded Mr. Smith as first vice-president and also became a member of the board of directors.

At the annual meeting of the stockholders of the Merchants Loan and Trust Company, which was held last month, Mr. Smith announced that he would retire on February 1 from active charge of the institution. It was consequently voted at this meeting that the annual election of officers be postponed until February 1 in order that the by-laws might be so amended as to admit of Mr. Smith's election as chairman of the board, an office which has not existed previous to this time. By creating this office the Merchants Loan and Trust Company is enabled to retain Mr. Smith's services in an advisory capacity.

Mr. Smith, who is seventy-four years old, is retiring after over thirty years' service in the institution to which he has directed his best energies. He was born December 14, 1841, and received his education in the public and private schools of Chicago. He, like many other successful Chicagoans, received his first business training under Potter Palmer.

After a short apprenticeship in the retail store of Mr. Palmer he entered the banking business with the house of F. Granger Adams, a private concern. He remained with Mr. Adams for eleven years. In 1863 the Adams bank became the Traders' Bank and later on it became the Traders' National Bank. In 1870 Mr. Smith was chief clerk and assistant cashier of this institution.

Meantime Mr. Smith was interested in the affairs of the board of trade and when the old Corn Exchange National Bank was organized he resigned from the Traders' National and took a position with the new concern as its cashier. In 1881 the old Corn Exchange National became a state institution. Mr. Smith was retained as cashier and kept this position until the spring of 1884, when he resigned and accepted the vice-presidency of the Merchants Loan and Trust Company. He was elected to the presidency in 1898. Mr. Smith was



Edmund D. Hulbert

RECENTLY ELECTED PRESIDENT OF THE MERCHANTS LOAN AND TRUST CO., CHICAGO

treasurer of the Chicago Board of Trade from 1872 to 1878. He has also been a member of the governing committee of the Chicago Stock Exchange and of the executive committee of the Chicago Clearing-House Association.

The Merchants Loan and Trust is the oldest bank in Chicago, having been founded in 1857. Its board of directors has consisted of some of the most prominent men in Chicago's public life, and included such names as Cyrus H. McCormick, Albert Keep, Lambert Tree, Erskine M. Phelps, Moses J. Wentworth, Enos M. Barton, E. H. Gary, now chairman of the United States Steel Corporation; Thies J. Lefens, Chauncey Keep, Clarence A. Burley, Marshall Field, George M. Pullman, George Armour and John S. Runnells.

The presidents of the bank have been J. H. Dunham, who served from the time of the incorporation until 1862; Henry Farnum, who served in 1862-63; Solomon A. Smith, who served from 1863 until his death, in 1879; John Tyrell, who served until 1884; J. W. Doane, who served from 1884 to 1898, when Orson Smith became president.

This election of bank officials will mark the shift of two prominent bankers from the presidency of their respective institutions to the chairmanship of the board, one, of course, being that of Orson Smith and the other that of James B. Forgan of the First National Bank. Both of these men, however, will continue as active members of the Chicago Clearing-House.

At the annual meeting of the stockholders of the Merchants Loan and Trust Company, the following members of the retiring board of directors were re-elected: Frank H. Armstrong, Enos M. Barton, Clarence A. Burley, Henry P. Crowell, William A. Gardner, Edmund D. Hulbert, Chauncey Keep, Cyrus H. McCormick, Seymour Morris, John S. Runnells, Edward L. Ryerson, John G. Shedd, Orson Smith, Albert A. Sprague, 2d, and Moses J. Wentworth.

A condensed statement of the condition of the Merchants Loan and Trust Company, on December 31, 1915, follows:

RESOURCES

Loans and discounts		$43,679,188.65
Customers' liability under letters of credit		1,448,300.03
Bonds and mortgages		13,220,069.02
Due from banks and bankers	$19,308,019.82	
Cash and checks for clearing-house	7,844,298.80	27,152,318.62
		$85,499,876.32

LIABILITIES

Capital stock	$3,000,000.00
Surplus fund	7,000,000.00
Undivided profits	909,922.65
Dividend payable Jan. 1, 1916	120,000.00
Reserved for accrued interest and taxes	247,129.76
Liability under letters of credit	1,448,300.03
Deposits	72,774,523.88
	$85,499,876.32

Banking Promotions

LAST week a couple of banks, this week a trust company elects as president a man who began working in the institution as office boy. Really, it begins to look as if a poor boy has small chance of escaping a long term at hard labor unless he's pretty spry dodging promotions.—New York Sun.

Evidences of Extravagance

RECENTLY a steel magnate's wife gave shares of steel stock as prizes at a card party, and later a Pittsburgh multimillionaire gave gold watches as "favors" to his guests. Probably automobiles will come in for this sort of use next.

A Strong Texas Institution

THE Security National Bank of Dallas, Texas, in the statement of condition supplied to the Comptroller on December 31, 1915, showed total deposits of $9,244,043.79 and total resources of $13,172,535.55. On January 12, 1916, just a little over a week later, deposits were $10,000,500.17 and total resources were $13,550,899.98. This showing, creditable enough for any institution, is still more to be commended when it is realized that this institution has only existed under its present organization since June, 1914.

The Security National Bank properly dates its beginning, however, to October 4, 1909, when the Guaranty State Bank & Trust Co. was organized with the same officers which now direct the affairs of the Security National. This institution had a capital stock of $400,000, which was increased to $600,000 in 1912 and to $1,000,000 in 1913.

In June, 1914, this bank was nationalized and started doing business as the Security National Bank with a capital of $1,500,000 and a surplus of $500,000. At the same time a consolidation with the Commonwealth National Bank was brought about, the stockholders having acquired control of that bank, which then had a capital of $500,000 and deposits of about $2,800,000. The combined deposits at that time, June, 1914, were $6,000,000.

The credit for building up such a strong banking institution within such a comparatively short period belongs in great measure to President D. E. Waggoner. Mr. Waggoner was born in Fannin County, Texas, June 28, 1867, educated in the common schools of Texas, and in 1883 began his business career as a clerk in a country store. In 1890 he entered into his banking career, first serving as assistant cashier of the First National Bank of Ladonia, Texas, a bank having a capital of $50,000 and deposits which did not average $100,000 the first five or six years of its existence. Mr. Waggoner was later made cashier of this bank, which position he held until January 1, 1900, when he resigned to take the cashier-

D. E. WAGGONER
PRESIDENT SECURITY NATIONAL BANK,
DALLAS, TEXAS

ship of the National Bank of Cleburne, Texas. This position he later resigned to go to Dallas as vice-president of the Gaston National Bank, which position he held until April, 1909.

At this time he disposed of his interest in the Gaston National Bank and organized the Guaranty State Bank and Trust Co., which began business October 4, 1909. He was made president

of this institution and was also made the president of the Security National Bank when this institution was founded to take over the merger of the Guaranty State Bank and Trust Co. and the Commonwealth National Bank.

The same officers who started the Guaranty Bank and Trust Co. are the officers and managers of the Security National Bank today. They are: D. E. Waggoner, president; M. H. Wolfe, R. B. Stichter and S. J. McFarland, vice-presidents; Edwin Hobby, cashier, and D. D. Rogers, M. B. Keith and J. W. Royall, assistant cashiers. The bank has about 400 stockholders, the dividend rate being 2½ per cent quarterly, or 10 per cent annually. The bank has more than 16,000 customers. One of the features of this institution is its savings department with more than 10,000 depositors.

New Counterfeits

$10 Gold Certificate.—Series of 1907; check letter A; face plate number 19; Gabe E. Parker, Register of the Treasury; John Burke, Treasurer of the United States; portrait of Michael Hillegas.

This counterfeit is printed from photo-etched plates on two pieces of paper, between which silk threads have been distributed. The pasting of the two pieces together makes the note feel thick and stiff. The counterfeit is nearly one-quarter of an inch longer than the genuine. The number of the specimen at hand is E6645543. The face of the note is well executed. The back of the note is not as good as the face, much of the lathe work on the back being broken and disconnected.

Care should be exercised in handling $10 gold certificates, as this note is deceptive.

$5 National Bank Note—On the Wallace National Bank, Wallace, Idaho; series of 1902-1908; check letter omitted; charter number 9134; bank number 1757; Treasury number M210698A; portrait of Benjamin Harrison.

This counterfeit is from poorly executed zinc-etched plates on two pieces of paper, between which a few silk threads have been distributed. A more detailed description of it is unnecessary, as it is so poor it should be readily detected.

$10 National Bank Note—On the National City Bank of New York; check letter L; J. W. Lyons, Register of the Treasury; Charles H. Treat, Treasurer of the United States; portrait of Wm. McKinley; charter number 1461; bank number 34454; Treasury number B357913.

This is a poorly etched and badly printed counterfeit on two pieces of paper, between which silk fiber has been distributed. The face of the note is very dark and blotchy, the portrait of McKinley being especially poor. The back of the note is printed a light green. It should be readily detected.

Annual Thrift Day, February Third

How the Country Has Accepted and Used the Idea

By C. H. NORTON

MENTION was made in last month's issue of THE BANKERS MAGAZINE of a movement to designate February 3 as a country-wide Thrift Day for observance by banks, educational institutions and other instrumentalities interested in promoting the public welfare.

The clippings and extracts from letters on the following pages graphically indicate how widely the suggestion spread throughout the country within sixty days of the inception of the idea, the newspapers and banks cordially cooperating in giving publicity to Thrift Day.

The Illinois State Journal

Founded 1831.

OLDEST NEWSPAPER IN THE STATE OF ILLINOIS.

THRIFT DAY—OBSERVE IT.

This is Uncle Sam's first annual Thrift Day. It will not be his last.

For the first time your Uncle Samuel is taking cognizance, in a broad and general way, of the importance of teaching his nephews and nieces the necessity of thrifty habits, but in the future he will not be so backward regarding this matter.

Hereafter, there is to be a Thrift Day each year, and the lessons of that day are to become the practice of the other 364 days. Americans are to learn the virtue of husbanding and making good use of their incomes, and the lesson is to be given practical demonstration.

The first regular Thrift Day offers an excellent opportunity to get in line for the new national policy. Observe it by starting a bank account, or by boosting the one you have; by joining one of the numerous organizations for saving wages or for providing against sickness or death; by cutting out some useless and extravagant expenditure which isn't benefitting you or anyone else; by taking up some new duty which will put a few extra dollars in your pocket or a bit more color in your cheeks; by doing any of the thousand and one things you can do to better your condition or the condition of those about you.

Thrift, remember, isn't all in saving money. Thrift contemplates sensible spending, as well as the accumulation of money. It means conservation, but there is nothing in common between thrift and miserliness. The development of a free heart, and a liberal one, is one of the blessed accompaniments of thrifty habits.

A TYPICAL THRIFT DAY EDITORIAL.

FEBRUARY THIRD IS THRIFT DAY

ESTABLISHING A THRIFT DAY

Well Organized Plan to Develop Thriftiness by Annual Observance

REMEMBER, THURSDAY WILL BE THRIFT DAY; THE TIME FOR SAVING

No Speeches or Banquets Are Planned, but a Real Period for Financial Preparedness

IDEA ORIGINATED HERE

THE BASIS OF PROSPERITY

Industrial Thrift to be Developed by Annual Observance of Thrift Day.

"THRIFT DAY" TO BE OBSERVED IN CITY

HOW MUCH WILL YOU SAVE TOMORROW, FIRST OF THE THRIFT DAYS?

Better Begin at Once in Order to Have Insurance Against Unforeseen Misfortune or Adversity

"NEST EGG" A GOOD THING

WASTE ELIMINATION AIM OF THRIFT DAY

Unique Holiday Will Be Celebrated Here on Feb. 3rd

THE MEANING OF THRIFT

THRIFT DAY OBSERVED BY THOUSANDS HERE

THRIFT DAY, FEB. 3 MONEY-SAVING TIME, TO BE OBSERVED HERE

Bankers Boost Project Which Originated in Philadelphia and Has Spread Over Country

"EVERY ONE CAN HELP"

THRIFT BY EDUCATION

Plan To Celebrate February 3rd As Thrift Day

Annual Thrift Day

NEW KIND OF HOLIDAY IS "THRIFT DAY"

Plans Under Way for General Observance of Day in Pine Bluff.

HABIT AND THRIFT DAY

REAL THRIFT NEEDED TO "GET ANYWHERE"

THRIFT DAY TO BE OBSERVED

New Campaign to Institute February 3 As an Annual Event.

G. H. CLEMENT

THRIFT DAY OBSERVED BY THOUSANDS HERE

NATIONAL THRIFT DAY.

'TIS THRIFT DAY ON FEBRUARY 3RD

NOVEL DISPLAY FOR "THRIFT DAY"

THRIFT AND THE FAIR SEX

LOCAL BANKERS TO OBSERVE THRIFT DAY

"THRIFT DAY" IS ONLY FOUR DAYS OFF, WHEN SUNDAY ISN'T COUNTED

The Question Is Purely One of Economics, so Religion Should Not Be Allowed to Enter Into It

BANKERS APPROVE

THRIFT DAY

A New Campaign to Institute February 3d as Annual Thrift Day

"THRIFT DAY" PLANNED TO TEACH SAVING HABITS

National Campaign Will Be Started on February 3 to End Needless Waste

AS THIS IS "THRIFT DAY," START TO SAVE A LITTLE

Less Waste and Greater Efficiency Are Ideas Back of Unique Observance

TO OBSERVE THRIFT DAY IN READING, FEB. 3

TO ESTABLISH PERMANENCE OF PROSPERITY HERE--TO TEACH HABIT OF SAVING WHEN TIMES ARE GOOD. STEP IN NEW EDUCATION.

IN THE NEWS COLUMNS OF PAPERS THROUGHOUT THE COUNTRY THE THRIFT DAY PLAN WAS PRESENTED TO AN EXTENT THAT FAR EXCEEDED THE EXPECTATIONS OF THE MOST OPTIMISTIC SUPPORTERS OF THE IDEA

THE PATRIOT, JACKSON, MICHIGAN

THRIFT DAY, THURSDAY, FEBRUARY 3

Thrift Day is to Be an Annual Reminder to All Thinking Individuals to Check Up the Little Waists, Stop the Leaks and Conserve What is Had. It's Observance May Furnish the basis for Many Successes in Years to Come, for It Is Undeniably the Little Things That Count.

What is Your Biggest Problem?

?

........isn't it

How to Get on In the World Better?

BE THRIFTY . . . . INVEST WISELY.

A Savings Account an Ideal Investment.

3% interest paid in the Savings Department of the Jackson City Bank on deposits remaining FOUR months or more compounded January 1st, May 1st and September 1st. Sums withdrawn between interest divided dates will de deducted from LAST deposit.

JACKSON CITY BANK

Capital and Surplus $430,000.00

OFFICERS.

N. S. Potter, President.
W. M. Thompson, Vice-President.
P. B. Loomis, Vice-President and Cashier.
A. D. Lathrop, Assistant Cashier.
W. W. Clark, Assistant Cashier.

DIRECTORS.

W. M. Thompson	W. W. Clarke	Casper Haehnle
N. S. Potter	W. M. Raten	J. W. Miner
P. B. Loomis	B. J. Glasgow	M. C. Townley

THRIFT A VIRTUE GROWING STRONGER AMONG OUR PEOPLE

Growth of Savings Banks in This Country Furnishes a Striking Proof.

All Good Purposes of Life Developed and Strengthened by Its Practice.

[illegible]

NEW KIND OF HOLIDAY

Observance of Thrift Day, Feb. 3, Not Confined to Any Race, Class or Denomination.

[illegible]

Thrift Made Easy

By Opening An Account In Our

Depositors' Weekly Savings Club

There are five different classes. You may select any one of them.

Class A	$ .02 to $ .50	$ 12.75
Class B	.04 to 1.00	27.45
Class C	.06 to 2.00	54.89
Class D	.16 to 4.00	109.78
Class E	.32 to 8.00	219.56

You do not have to make any back payments.

You can pay any amount appearing on your card.

You can withdraw your money any time you want it.

Your money earns 3 per cent interest.

You Can Start Any Time

Peoples National Bank

Founded 1865

: : Union Bank : :

Capital and Surplus $640,000.00 Resources $3,200,000.00

Main Office East Side Branch

3% Interest on Savings Deposits

Our savings department is now over 32 years old and has deposits at nearly a million and a half dollars.

This very substantial total is made up largely of the savings of people of moderate means and it has been the policy of this bank from its organization to aid and encourage in every possible way the thrift of this community.

We reprint from a last year's advertisement the following quotation from a New York Bank President.

> "If our people realize the part that money played in the years following everyone would now save every dollar he could to invest later on in the development and increase of business which is sure to occur. We should follow the example of all European countries in the careful saving and investment of small sums by the great majority of the individuals of the nation."

OFFICERS

C. C. Bloomfield, President.
A. B. Robinson, V. President
F. D. Bennett, V. President
E. C. Eldred, V. President
A. C. Bloomfield, Cashier.
H. A. Reese, Asst. Cashier
C. W. Spiegel, Auditor

DIRECTORS

C. C. Bloomfield	T. A. Wilson
A. B. Robinson	Winthrop Withington
F. D. Bennett	F. H. Loon
E. C. Eldred	C. B. Hayes
L. M. Field	Murray Dalziel

Banking

It is generally understood that a bank is a place to deposit funds for safe keeping or for interest, also as a matter of business policy and convenience. It is well understood that a part of the funds so deposited are loaned upon proper security.

While these features are of common knowledge, few realize the extent to which the Banks become almost if not quite a public necessity.

Our banking system has always played a most important part in the development of this country. Just as soon as a new town is well started, a bank is organized and that bank collects the loose funds in the community and uses them through loans to advance the interests of that particular town or city. This operation permits the use of the funds of a community in the building up and advancement of that particular community, and in that way the Bank has been of the utmost importance and use in the growth and development of every new city.

It is the function of a bank to collect the funds of a community that are temporarily unemployed and place them in one concentrated fund where they may be used by the business interests of that locality. Hence it follows that the more money banked the more business can be financed.

Funds temporarily not being used should be banked, for the good of the commercial interests of the city at large.

If this nation becomes a lender of money under present world changes, instead of a borrower, as it always has been, it will only be accomplished through greatly increased

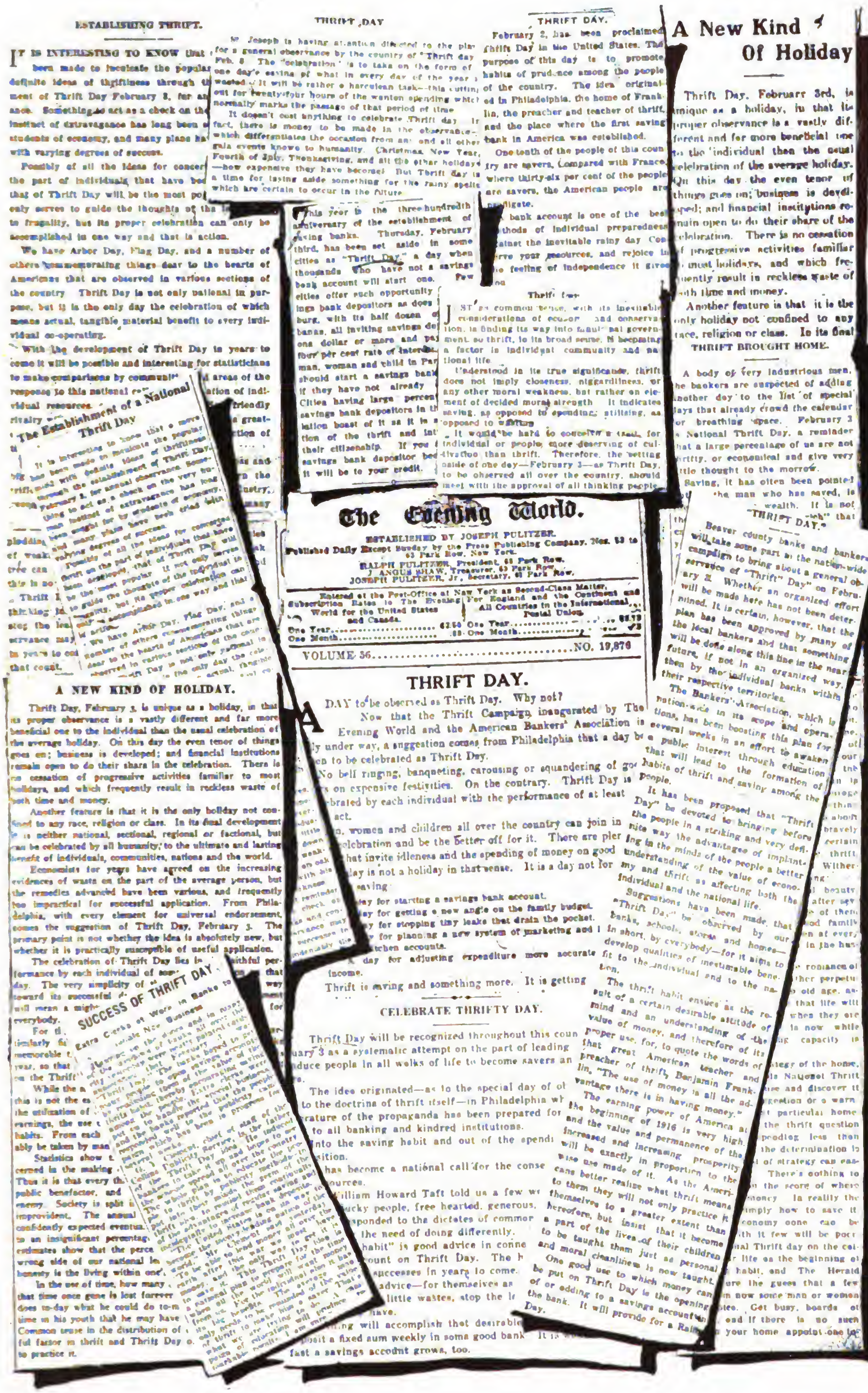
THRIFT ON THE PART OF THE RANK AND FILE OF THE PEOPLE

If the one hundred millions of Americans once start a real campaign of thrift, our national wealth will so rapidly increase that we will be able to finance not only our own development but we will become a financial leader and world power.

Jackson State Savings Bank

THE REPRODUCTION OF THE FULL PAGE IN "THE PATRIOT," JACKSON, MICH., INDICATES AN EFFECTIVE COMBINATION OF NEWS ITEMS AND ADVERTISING

The bank is the natural receptacle for the concrete result of thrift and when bankers combine in a concerted movement of this kind, there naturally results in the community an increased confidence in all banks.



ESTABLISHING THRIFT.

THRIFT DAY

THRIFT DAY.

A New Kind Of Holiday

Thrift Day, February 3rd, is unique as a holiday, in that its proper observance is a vastly different and far more beneficial one to the individual than the usual celebration of the average holiday. On this day the even tenor of things goes on; business is developed; and financial institutions remain open to do their share of the celebration. There is no cessation of progressive activities familiar to most holidays, and which frequently result in reckless waste of both time and money.

Another feature is that it is the only holiday not confined to any race, religion or class.

THRIFT BROUGHT HOME.

The Establishment of a National Thrift Day

The Evening World.

ESTABLISHED BY JOSEPH PULITZER.

VOLUME 56 ... NO. 19,876

THRIFT DAY.

A DAY to be observed as Thrift Day. Why not?

Now that the Thrift Campaign inaugurated by The Evening World and the American Bankers' Association is fully under way, a suggestion comes from Philadelphia that a day be set aside to be celebrated as Thrift Day.

No bell ringing, banqueting, carousing or squandering of good money on expensive festivities. On the contrary, Thrift Day is to be celebrated by each individual with the performance of at least one thrift act.

CELEBRATE THRIFTY DAY.

A NEW KIND OF HOLIDAY.

SUCCESS OF THRIFT DAY

"THRIFT DAY."

SPECIMEN EDITORIAL COMMENTS ON THRIFT DAY

Many Bankers in Every State Express Their

UNIVERSITY PLACE, NEB., Jan. 12, 1916.
"I am absolutely in accord with the thrift movement, and am only too willing to push the cause in my community."
Citizens State Bank,
E. E. Butler, Cashier.

BOWMAN, GA., Jan. 8, 1916.
"Thrift Day," February 3rd, interests us very much."
Farmers Bank,
B. F. Burnette, Cashier.

ROSWELL, N. MEX., Jan. 11, 1916.
"We believe this is a good idea and intend to do our part towards pushing it."
The First National Bank of Roswell,
C. Hobbs, Asst. Cashier.

SAVANNAH, GA., Jan. 15, 1916.
"We are, of course, interested in Thrift Day."
Chatham Bank & Trust Company,
F. W. Clarke, Vice-President.

POUGHKEEPSIE, N. Y., Jan. 13, 1916.
"It should interest everybody."
Poughkeepsie Trust Company,
Thomas W. Barrett, Treasurer.

BLACKFOOT, IDAHO, Jan. 21, 1916.
"We are giving all the possible publicity to the Thrift Day."
D. W. Standrod & Co.,
C. V. Fisher, Cashier.

WELLSVILLE, N. Y., Jan. 12, 1916.
"We heartily endorse the idea."
Citizens National Bank,
W. J. Richardson, President.

AMERICAN FALLS, IDAHO, Jan. 19, 1916.
"We are doing all we can to make Thrift Day at American Falls a success."
The First National Bank,
Jay Gibson, Cashier.

ROCHESTER, N. Y., Jan. 11, 1916.
"This great forward movement to greater thrift on the part of the people is certainly appreciated by us."
The Mechanics Savings Bank,
Wilmot Castle, Sec. and Treas.

DIXON, ILL., Jan. 18, 1916.
"We are planning to take advantage of Thrift Day."
Union State Bank,
E. J. Countryman, Cashier.

NORTHWOOD, N. D., Jan. 14, 1916.
"We shall try to make this an important event."
The Citizens National Bank,
J. L. Goeson, Asst. Cashier.

EVANSTON, ILL., JAN. 7, 1916.
"We shall be pleased to emphasize Thrift Day on February 3rd."
City National Bank,
C. N. Stevens, Vice-President.

FORT RECOVERY, O., Jan. 13, 1916.
"We will help to shove the good move along."
The Peoples Bank Co.
E. N. Moore, Cashier.

RADCLIFFE, IOWA, Jan. 12, 1916.
"We will try to get this before the public."
Security State Bank,
H. A. Drake, Cashier.

GLOUCESTER, MASS., Jan. 13, 1916.
"It impresses us as being an excellent idea."
Cape Ann Savings Bank,
Daniel T. Babson, Treasurer.

WAYNESBORO, PA., Jan. 17, 1916.
"We are entirely in sympathy with an effort to not only give publicity to Thrift Day, but emphasize it as much as we can."
The Bank of Waynesboro,
M. E. Sollenberger, Cashier.

SPRINGFIELD, MASS., Jan. 11, 1916.
"Banks in this city are inaugurating an active campaign in this connection."
The Springfield National Bank,
Ralph A. Alden, Cashier.

MORRISTOWN, TENN., Jan. 18, 1916.
"We shall endeavor to give more publicity to Thrift Day. We need it badly in this section."
City National Bank,
J. N. Fisher, President.

HARRISONBURG, PA., Jan. 12, 1916.
"Boosting Thrift Day in our community."
The Peoples Bank of Harrisonburg,
Thos. P. Berry, Cashier.

FRANKLIN, MASS., Jan. 15, 1916.
"I am heartily in favor of the movement and will give it all support possible in this vicinity."
The Franklin National Bank,
John E. Barber, Cashier.

KINGMAN, ARIZ., Jan. 17, 1916.
"We shall be glad to do everything we can to boost that day."
The Arizona Central Bank,
J. T. Watkins, Asst. Mgr.

KANSAS CITY, MO., Jan. 11, 1916.
"We are very heartily in sympathy with this movement and shall give it our unqualified support."
Commerce Trust Company,
F. M. Staker, Mgr. Publicity Dept.

PLANT CITY, FLA., Dec. 30, 1915.
"National Thrift Day, February 3rd, I believe is an excellent idea, and if carried out by the country at large, should mean considerable to, not only the banks, but to every community and individual."
Bank of Plant City,
Harry H. Root, Vice-Pres. and Cashier.

SEYMOUR, MO., Jan. 12, 1916.
"It sounds good."
Bank of Seymour,
C. H. White, Asst. Cashier.

ORLANDO, FLA., Jan. 14, 1916.
"We think that it is a capital idea and we would like to utilize it in regard to insisting on our friends and customers making it a Thrift Day in more ways than one, by opening up a savings account with us."
Orlando Bank & Trust Co.,
Geo. E. Nolan, Cashier.

HUNTINGTON, IND., Jan. 10, 1916.
"I wish to state that we are going to take up the matter of Thrift Day. We will start the advertisement in tomorrow's papers."
Huntington County Bank,
E. P. Ayres, Asst. Cashier.

RISING SUN, MD., Jan. 17, 1916.
"We are making an effort to have the day adequately observed here. We are very glad that this matter has been taken up. We desire to enter into it enthusiastically."
The National Bank of Rising Sun,
Chas. S. Pyle, President.

In a recent editorial in The Bankers Magazine reference was made to the unusual prominence given in the daily press to the doings of profligate spenders. This thrift movement is interpreted by many as constructive counter-influence far-reaching in its effect.

Bankers in every state in the Union have not only influenced interest in Thrift Day observance, but have unqualifiedly endorsed the idea and practically without exception seem to see the unusual opportunities presented for drawing attention to their own business. The bank undoubtedly must be recognized as the chief beneficiary next to the individual.

Interest in Thrift Day and Help Observe It

HILLSBORO, O., Jan. 10, 1916.
"Do our share towards pushing a good thing along."
The Hillsboro Bank & Savings Co.,
J. W. Evans, President.

JONESBORO, LA., Jan. 20, 1916.
"We think this Thrift Day a good idea."
Jackson Parish Bank,
W. E. Jeffress, Cashier.

BUCYRUS, O., Jan. 10, 1916.
"We shall be glad to co-operate in the movement along this line, believing this to be an effort in the right direction."
The Farmers & Citizens Bank and Savings Co.,
T. M. Kennedy, Asst. Cashier.

ELKTON, MD., Jan. 11, 1916.
"We think the Thrift Day idea is very good and are taking it up in this section as suggested."
The Elkton Banking & Trust Co.,
Irvin T. Kepler, Sec. and Treas.

GAGE, OKLA., Jan. 18, 1916.
"We are taken with the idea and will add our might to this commendable cause."
The Farmers State Bank,
J. A. Holt, Cashier.

HOBART, OKLA., Jan. 14, 1916.
"We like the idea."
Home State Bank,
W. C. Kelsay, Cashier.

IRON RIVER, MICH., Jan. 5, 1916.
"The idea strikes us, and we are inclined to make a special day of it."
The Miners State Bank,
A. J. Whitford, Cashier.

CLAREMORE, OKLA., Jan. 13, 1916.
"We are very much interested in this Thrift Campaign."
The National Bank of Claremore,
G. D. Davis, Cashier.

MENOMINEE, MICH., Jan. 15, 1916.
"It is our intention to stir up something of a commotion over Thrift Day on February 3rd, and to that end we are planning a rather extensive advertising campaign, in fact the campaign is to begin on Monday next."
The Lumbermen's National Bank,
Wm. Webb Harmon, Cashier.

AFTON, OKLA., Jan. 12, 1916.
"We are very much interested in this movement."
The Farmers State Bank,
Geo. M. Reeves, Cashier.

WEST GROVE, PA., Dec. 31, 1915.
"Thrift Day we desire to push to the limit."
The National Bank of West Grove,
M. C. Pyle, Vice-Prest. and Cashier.

BAKER, ORE., Jan. 13, 1916.
"We will be pleased to encourage the publicity of same."
The First National Bank,
T. G. Montgomery, Cashier.

WESSINGTON SPRINGS, S. D., Jan. 19, 1916.
"We are trying to make this a big day here."
Wessington Springs State Bank,
C. H. Gall, Cashier.

NEW KENSINGTON, PA., Jan. 10, 1916.
"Will see that the movement is boosted in this community."
The First National Bank,
F. E. Pratt, Cashier.

PHILADELPHIA, PA., Jan. 19, 1916.
"We are heartily in accord with the idea."
Federal Trust Company,
H. F. Richards, Treasurer.

AMBOY, ILL., Jan. 15, 1916.
"The plan is fine and I believe will not only give the bank publicity, but will help to open a number of accounts, and we all know that they come much easier after they once start."
Amboy State Bank,
R. W. Ruckman, Cashier.

CHARLESTON, S. C., Jan. 13, 1916.
"Whatever we can do to further this general movement we shall be pleased to do."
Enterprise Bank,
Wilson G. Harvey, President.

GEORGETOWN, S. C., Jan. 15, 1916.
"Of course, it would be well to set this day aside like other days and holidays."
Bank of Georgetown,
W. D. Morgan, President.

TYNDALL, S. D., Jan. 19, 1916.
"This is a good thing and we are willing to help get it before the people."
The First National Bank,
Wm. Thompson, Vice-President.

JAVA, S. D., Jan. 17, 1916.
"The editor has agreed to do his part."
The First State Bank of Java,
W. C. Hicks, Cashier.

COMANCHE, TEX., Jan. 18, 1916.
"Such a movement will mean much to the whole country and especially to our local people."
Farmers & Merchants National Bank,
W. J. Cunningham, Cashier.

PALACIOS, TEX., Jan. 17, 1916.
"We are ready to enter the campaign."
Palacios State Bank,
J. F. Barnett, Cashier.

CHATHAM, VA., Jan. 14, 1916.
"We will take the matter up and do what we can in this movement, as this is something that needs to be encouraged."
Planters Savings Bank,
O. S. B. Yeatts, Cashier.

CREWE, VA., Jan. 12, 1916.
"Am deeply interested in the object of the move."
Bank of Crewe,
J. P. Agnew, Cashier.

OLYMPIA, WASH., Jan. 18, 1916.
"We are pleased to lend our assistance to this worthy movement."
The Olympia National Bank,
F. M. Kenney, Cashier.

NEILLSVILLE, WIS., Jan. 12, 1916.
"We are in sympathy with the idea and think it is a good one."
First National Bank,
Ray A. Clemens, Cashier.

GRAND RAPIDS, WIS., Jan. 12, 1916.
"The idea looks good to us and we will be glad to try and work it out."
The First National Bank,
Earle Pease, Vice-President.

WATERTOWN, WIS., Jan. 19, 1916.
"We are heartily in sympathy with this movement and have been working it for some time."
Bank of Watertown,
F. W. Gamm, Cashier.

PINE BLUFF, ARK., Jan. 13, 1916.
"We will try to have the high schools invite some one to address the boys and girls on the subject."
The Merchants & Planters Bank,
S. C. Alexander, President.

GILLESPIE, ILL., Jan. 12, 1916.
"We will be glad to co-operate."
Gillespie Trust & Savings Bank,
W. E. Schmidt, Cashier.

BLOSSBURG, Pa., Jan. 22, 1916.
"We would be very glad to take up the matter and think the idea is a very good one."
The Miners National Bank,
F. B. Smith, President.

HERRICK, S. D., Jan. 13, 1916.
"We are interested in the idea."
Bank of Herrick,
T. B. Scroggs, Cashier.

Book Reviews

Banking Opportunities in South America. Special Agents Series No. 106. A report to the Bureau of Foreign and Domestic Commerce, Department of Commerce, by William H. Lough, Special Agent. For sale by the superintendent of documents, Washington, D. C. Price, 20 cents.

THIS timely report, recently issued by the Bureau of Foreign and Domestic Commerce at Washington, should be read by every banker and by every manufacturer who has even a remote interest in export trade. The title does not do full justice to the contents, for the report contains a great deal of information which applies to all foreign banking or foreign trade financing. Moreover, the financial conditions and the business methods prevalent in South America are clearly presented with a view to explaining the fundamental differences between the banking practice of this country and the banking practice of South American countries.

The author of the report is William H. Lough, well known as a writer on financial topics. It is evident that Mr. Lough is familiar with financial methods and has studied his subject from a practical point of view. In addition, he shows also the ability of the trained economist to dig below the surface and to base his conclusions on fundamental conditions.

First of all, the report sketches the economic status of South America and the probable lines of development. Economically there are four distinct regions in South America—

The Amazon basin;
The River Plate basin (with which is included southern Brazil, a region that might be marked off as a fifth grand division);
The West Coast, and
The North Coast.

Each one of these four divisions has an economic life of its own, and probably has closer relations with the United States and Europe than with any of the other three. Fifty per cent of the population, and a far larger proportion of the wealth of South America, are centered in the River Plate region. Mr. Lough evidently expects this region to continue developing with great rapidity, but he also looks forward to an important advance during the next few years along the west coast and possibly along the north coast.

In connection with his study of probable lines of development, Mr. Lough takes up the question of future investment of American capital in South America. This question he thinks is in reality only a portion of the larger question as to whether this country will find it necessary and desirable, as one result of the war, to extend its capital investments into other lands. This question he answers in the affirmative and goes on to state that many of the leading financiers of the United States are convinced that "within the next few years (depending upon the course and duration of the war and other factors) the markets for foreign securities in New York, Boston, Philadelphia, Chicago and other financial centers, will become comparable to markets which formerly existed in London, Paris, Berlin and Antwerp." This statement is qualified by the observation that the markets in the United States may not be as rich a source of supply of capital for other countries as the former European markets, but there will certainly be a striking change in the provision of capital for the countries in process of development.

The first stage in a period of investing in a foreign country, is the flotation of governmental loans of that country. We are just entering on that stage so far as South America is concerned. Without going into great detail, Mr.

Lough reviews the governmental securities, railroad securities, other corporate securities and the land mortgage bonds of South American countries. It is his opinion that for the present we will do little more than take over new government issues and purchase some of the good South American securities now held by European investors.

Two excellent sections of the report present in considerable detail the main facts as to the development of the English and German banks in South America. Mr. Lough is not in agreement with the idea frequently expressed that the German banks are in South America for political as much as for business reasons. It is his view that they have shown themselves to be soundly constructed and well managed business enterprises.

The domestic banks are of more importance than they are sometimes represented to be. According to Mr. Lough's calculations, the percentages of commercial bank deposits kept in domestic banks in South America, are as follows:

Brazil	60 per cent
Uruguay	67 " "
Argentina	72 " "
Chile	83 " "
Peru	74 " "
Paraguay	100 " "
Ecuador	100 " "
Colombia	100 " "
Venezuela	100 " "

In view of the fact that an American bank has already opened branches on the East coast, and because of the probable development during the next few years of the west coast countries, two sections are devoted to special consideration of the banking situation in Chile and Peru. Mr. Lough discusses at some length the fluctuations in Chilean currency, which he evidently regards as unnecessary, and as maintained in part by the selfish motives of certain classes which profit from a currency of declining value.

The banking and currency situation in Peru is interesting, and the factors which seem to create a favorable opportunity for an American bank in Peru are presented.

The next sections of the report deal with the conditions under which commercial banking is carried on, with notes on "Banking Practice" and with an attempt to estimate the earnings, expenses and profits of a new American bank if one were established. The discussion of open accounts and unsecured credits is especially illuminating. Mr. Lough is of the opinion that the practice of granting open credits is not in itself unsound, and in fact has many advantages. The calculations of earnings, expenses and profits are based on the percentages of profit-making assets to capital and of operating expenses to gross profits. Much interesting and valuable information as to expenses is given. Mr. Lough does not present an overly optimistic estimate of net profits, which he calculates at say 5.8 per cent, making possible, perhaps, a four per cent dividend at the beginning. The chief gain to American banks entering the field, in Mr. Lough's judgment, would come from the influence of their foreign facilities in building up domestic business. They should be well satisfied if their operations abroad do a little more than pay for themselves.

Under the head of "Improvements in Foreign Trade Financing," Mr. Lough discusses the various methods of facilitating payments for exports and imports, and the present organization of export financing. The Federal Reserve Act has already made posible some marked improvements and others are in prospect. However, they are all likely to be temporary or ineffective unless an American owned banking organization abroad can be built up. "A loose and shaky organization of correspondent banks, combined with reasonably good discount and acceptance facilities in New York, may serve as a makeshift while Europe is at war; it will be next to useless in meeting renewed and strenuous competition after the war."

The final section of the report deals with "Entering the South American Field," and is largely devoted to mak-

ing an argument for an amendment to the Federal Reserve Act which will permit co-operation among national banks through their ownership of stock in a new class of international banks to be devoted wholly to foreign trade. Under the present act, which requires each bank to work alone, it is wholly out of the question for any bank outside New York City to enter the foreign trade field. So far as the New York City banks are concerned, Mr. Lough's inquiries have convinced him that little is to be expected of any of them except the National City Bank, which is making rapid progress in building up a foreign organization.

Mr. Lough thinks well of the possibility of co-operation in some form between the capital and banking talent of North America, and the capital and banking talent of South America. It is clearly his belief that if the law were amended so as to permit greater freedom of action and some degree of co-operation, the bankers in cities outside of New York would quickly get together and would provide the financial facilities which are demanded by exporters and importers.

The report is based not only on the author's sojourn of several months in South American countries, during which he talked with a large number of representative government officials, bankers and business men, but also upon all of the published information available.

A useful list of sources of information as to South American banking and finance is appended to the report.

Short Talks on Retail Selling. By S. Roland Hall. New York: Funk & Wagnalls Co. (Price, 75 Cents Net.)

THESE unconventional talks on retail selling, though not intended for bankers, nevertheless contain many hints that would be valuable to them, for the banker has the public for his customer just as the merchant does. The suggestions are interesting and seem of a practical nature.

Learning to Earn. By John A. Lapp and Carl H. Mote; with introduction by Hon. William C. Redfield, Secretary of Commerce. Indianapolis. The Bobbs-Merrill Co. (Price, $1.50 Net.)

TO make education real and pass it around is the keynote of this book. It provides the definite plan of an education for all the people, adjusted to their actual conditions, qualifying them for their life work, fitting them for a complete life.

This is a very complete and able treatment of vocational education—a subject now uppermost in the public mind.

The Protection of Neutral Rights at Sea: Documents on the Naval Warfare; with an introduction by William R. Shepherd, Professor of History in Columbia University, New York: Sturgis & Walton Co. (Price, 25 Cents.)

WITH these documents at hand, and with Professor Shepherd's lucid explanation of the principles involved one may gain a much clearer understanding of the naval warfare now going on than is possible without such information.

Paragraphs on Thrift. By Frank C. Mortimer. New York: The Bankers Publishing Co.

IN the nation-wide movement for thrift it may be expected that a literature on the subject will develop. Already the book of proverbs has been written by Mr. Mortimer. These short, sententious sayings ought to be widely circulated, for they are of that incisive character which will cut into the memory and become a part of one's mode of thought.

Foreign Banking and Finance

European

SUSPENSION OF THE ENGLISH BANK ACT

WHETHER or not the English Bank Act was actually suspended in the early days of the 1914 war crisis has been a subject of interest to bankers and financial students. The facts given below—the official communications being from a British "White Paper"—recently made public may throw some light on the matter.

"August 1, 1914.

"SIR:—We consider it to be our duty to lay before the Government the facts relating to the extraordinary demands for assistance which have been made upon the Bank of England in consequence of the threatened outbreak of hostilities between two or more of the great Powers of Europe.

"We have advanced to the bankers, bill brokers, and merchants in London during the last five days upwards of £27,000,000 sterling upon the security of Government stock, bills of exchange, etc., an unprecedented sum to lend, and which, therefore, we suppose, would be sufficient to meet all their requirements, although the proportion of this sum which may have ben sent to the country must materially affect the question.

"We commenced this morning with a reserve of £17,420,000, which has been drawn upon so largely that we cannot calculate upon having so much as £11,000,000 this evening, making a fair allowance for what may be remaining at the branches.

"We have not up to the present refused [any request for assistance], but having regard to the depletion of the reserve, we fear that unless we obtain authority to issue notes against securities in excess of the amount permitted by law it will shortly become necessary to curtail the facilities which under present conditions we regard it as essential to offer to the trade and commerce of the country.—We have the honor to be, sir, your obedient servants.

"(Signed) WALTER CUNLIFFE,

"(Signed) R. L. NEWMAN.

"The Right Hon. the Chancellor of the Exchequer."

"Treasury Chambers, Whitehall, S. W.,

"August 1, 1914.

"GENTLEMEN:—We have the honor to acknowledge the receipt of your letter of this day to the Chancellor of the Exchequer in regard to the extraordinary demands which are being made upon the Bank of England in consequence of the threatened outbreak of hostilities between two or more of the great powers of Europe.

"In the circumstances represented, His Majesty's Government recommend that, if the Bank of England shall find that, in order to meet the wants of legitimate commerce, it is requisite to extend its discounts and advances upon approved securities, so as to require issues of notes beyond the limit fixed by law, this necessity should be met immediately upon its occurrence, and in that event they will not fail to make application to Parliament for its sanction.

"No such discount or advance should be granted at a rate of interest less than ten per cent. and His Majesty's Government reserve it to themselves to recommend, if they should see fit, the imposition of a higher rate.

"After deduction by the Bank, of whatever it may consider to be a fair charge for its risk, expenses and trouble, the profits of these advances will accrue to the public.

"We have the honor to be, gentlemen, your obedient servants.

"(Signed) H. H. ASQUITH,

"(Signed) D. LLOYD GEORGE.

"To the Governor and Deputy Governor, "Bank of England."

The correspondence gives a third class of circumstances arising out of the suspension of that much-discussed statute. For the sake of preliminary clarity, these three classes may well be summarized:

1847 and 1866 Crises.—Suspension of Bank act, but no actual breach of its provisions.

1857 Crisis.—Suspension of the Bank Act and breach of its provisions to the nominal extent of £2,000,000, of which only £928,000 ever got into the hands of the public.

1914 Episode.—Private suspension of the Bank Act by a letter from the Government, which remained undisclosed

for fifteen months; but no actual breach of the provisions of the statute, owing to the issue of currency notes, which were not a factor of the crises of 1847, 1857 and 1866.

With regard to the actual correspondence, it is worth while to observe, says the "Financial News," that the letter from the Bank to the Government, dated August 1, 1914, is an almost verbatim reproduction of the similar communication emanating from the same source on May 11, 1866. Evidently it is not in lawyers' offices that the "common form" is found useful. "Old Ladies," in Threadneedle street and elsewhere, are notoriously conservative. How close the parallel is in this instance may be seen by a study of the first three paragraphs of the text of the two communications side by side:

"August 1, 1914.

"Sir,—We consider it to be our duty to lay before the Government the facts relating to the extraordinary demands for assistance which have been made upon the Bank of England in consequence of the threatened outbreak of hostilities between two or more of the Great Powers of Europe.

"We have advanced to the bankers, bill brokers, and merchants in London during the last five days upwards of £27,000,000, sterling, upon the security of Government stock, bills of exchange, &c., an unprecedented sum to lend, and which, therefore, we suppose, would be sufficient to meet all their requirements, although the proportion of this sum which may have been sent to the country must materially affect the question.

"We commenced this morning with a reserve of £17,420,000, which has been drawn upon so largely that we cannot calculate upon having so much as £11,000,000 this evening, making a fair allowance for what may be remaining at branches.

* * * * *

"(Signed)

"Walter Cunliffe,
"R. L. Newman."

"May 11, 1866.

"Sir,—We consider it our duty to lay before the Government the facts relating to the extraordinary demands for assistance which have been made upon the Bank of England to-day in consequence of the failure of Messrs. Overend, Gurney & Co.

"We have advanced to the bankers, bill brokers and merchants in London during the day upwards of £4,000,000 sterling upon the security of Government stock and bills of exchange, &c., an unprecedented sum to lend in one day, and which therefore, we suppose, would be sufficient to meet all their requirements, although the proportion of this sum which may have been sent to the country must materially affect the question.

"We commenced this morning with a reserve of £5,727,000, which has been drawn upon so largely that we cannot calculate upon having so much as £3,000,000 this evening, making a fair allowance for what may be remaining at the branches.

* * * * *

"(Signed)

"H. L. Holland,
"Governor.
"Thos. Newman-Hunt,
"Deputy-Governor."

The reply of the Government, signed by Mr. Asquith and Mr. Lloyd George, is a much shorter communication than that which "Johnny" Russell and Mr. Gladstone sent to the Bank in 1866. It is quite obvious, however, that the Prime Minister and Mr. Lloyd George had the 1866 letter before them when they wrote from Treasury chambers on August 1, 1914.

The result of the correspondence is to disclose the fact that the Bank virtually asked for a suspension of the Bank Charter Act, and that a permissive suspension was immediately granted by the Prime Minister and the then Chancellor of the Exchequer, Mr. Lloyd George. As on the earlier occasions, this suspension, considered from the legal point of view, was, in effect, a permission to the Bank of England to disregard the law of the land upon an undertaking by the heads of the Government to secure a subsequent indemnity. That the indemnity would have been obtained if the illegal acts had been committeed there can, of course, be no doubt. But, as a matter of fact the intervention of a Treasury note issue—an expedient untried in 1847, 1857 and 1866—brought a new factor of relief into the situation. Consequently the Governor of the Bank was in the comfortable position of having the trump card up his sleeve, though he was never under the necessity of playing it. Whether in such circumstances the Governor of the Bank of England is justified in omitting to inform the public of the fact that he has the trump card in such a safe place is a matter around which a good deal of discussion is likely to center.

The Treasury letter is dated August 1. What happened during the ensuing week is still a matter of common recollection. But it seems clear that somebody began to have qualms about the expediency (or rather, perhaps, the strict legitimacy) of the antique and accepted method of suspending the Bank Act by means of the personal fiat of the Prime Minister and the Chancellor of the Exchequer. The Government therefore came to the conclusion that this irregular mode of action should be regularized and put upon a legal basis. This was done by

Section 2 of the Currency and Bank Notes Act, August 6, 1914:

"3. The Governor and Company of the Bank of England and any persons concerned in the management of any Scottish or Irish bank of issue may, so far as temporarily authorized by the Treasury, and subject to any conditions attached to that authority, issue notes in excess of any limit fixed by law; and those persons are hereby indemnified, freed, and discharged from any liability, penal or civil, in respect of any issue of notes beyond the amount fixed by law which has been made by them since August 1, 1914, in pursuance of any authority of the Treasury or of any letter from the Chancellor of the Exchequer, and any proceedings taken to enforce any such liability shall be void."

As long as this section stands the Treasury is endowed with statutory power to suspend the Bank Act. In 1847, 1857 and 1866 the Treasury action was admittedly ultra vires, though performed in the certainty of a parliamentary indemnity. But there is now created a permanent power of suspension capable of being legally invoked at any moment. The new provision is a kind of financial dispensing power. It is a very curious thing that this power to suspend the operation of a vital statute, which was one of the principal bones of contention between our ancestors and James II, should now have been virtually conferred upon a couple —aye, upon one—of His Majesty's Ministers by a deliberate act of the Legislature. The irony of it might well make James turn in his grave—all the more so because of the utility of the expedient to an institution born under the sceptre of James' own intruding son-in-law.

If the permissive suspension of 1914 be counted as one, there have now been four suspensions of the Bank Act. In 1847 the Treasury letter was signed by "Johnny" Russell and Sir Charles Wood; in 1857 it was signed by Palmerston and Sir George Cornewall Lewis; in 1866 by "Johnny" Russell and the late Mr. Gladstone, and in 1914 by Mr. Asquith and Mr. Lloyd George. To "Johnny," therefore, falls the unique honor of having figured twice in a Bank Act suspension.

BRITISH CAPITAL RAISED IN 1915 AND IN OTHER YEARS

COMMENTING on the amount of capital raised in Great Britain in 1915, "The Statist" (London) says:

"Prior to the war the greatest amount of capital ever raised publicly in this country in a single year was in 1913, when the amount subscribed reached £248,000,000. Beyond this sum a great amount of capital was raised privately and expended upon house construction, factory extension, and other purposes. The year 1914 included five months of war, and in this period the amount of capital publicly subscribed was £539,-000,000. In 1915, when the nation had been at war for the entire year, the amount of capital subscribed has been £722,876,000. In 1913, £197,000,000 of the total was money raised for colonial and foreign countries. In 1914 the sum shown to have been raised for colonial and foreign countries was £159,-000,000, and in the past year it was £75,000,000. But a substantial part of the proceeds of the loans raised by the British Government since war began

have been re-lent to our allies and colonies, and the total sum of money lent by Great Britain to the rest of the world in 1914 was probably £250,000,000, and in 1915 nearly £350,000,000. To make the matter quite clear we set out below a statement of the approximate amount of capital publicly subscribed by British investors and bankers in the last three years for home and foreign purposes.

Approximate Amount of Capital Publicly Subscribed for Home and Foreign Purposes in Past Three Years

	1915	1914	1913
Home purposes*	£373,000,000	£289,000,000	£51,000,000
Loans to India, the Colonies and foreign countries	350,000,000	250,000,000	197,000,000
Total	£723,000,000	£539,000,000	£248,000,000

*Excluding treasury bills.

ENGLISH BANK ABSORBED

ANOTHER step is taken in the absorption of the smaller banks by the big in the proposed fusion of the Bank of Whitehaven with the Manchester and Liverpool District Bank, says the London "Economist." This step will give the Manchester and Liverpool concern a stronger hold in the North Country. The purchasing bank is to pay in cash £22 per share for the capital of the Bank of Whitehaven, or £216,766 in all. The provisional agreement which has been made provides that the Whitehaven Bank shareholders may receive one-half of the purchase price in shares (of £12 paid up) of the District Bank at £36 per share. It is pointed out that if they take half in District Bank shares and the other half is invested to yield five per cent. per annum, they will receive from the equivalent of every share £1 3s 10d per annum, in place of £1 2s 6d hitherto received. The District Bank dividend has been at the rate of 17½ per cent. per annum for each of the last 25 half-years, while the Bank of Whitehaven has paid 11¼ per cent. for 23 years, to 1914. The dividends of both banks are now paid free from income tax. The amalgamation takes immediate effect, but provision has been made for the declaration by the Whitehaven Bank of a dividend not exceeding 12s 6d per share for the last half-year.

The deposits of the District Bank at June 30 last reached £28,505,432, and those of the Bank of Whitehaven to £645,012. The Bank of Whitehaven was established in 1837, and was one of the only remaining banks with a note issue of its own, which will now lapse.

LONDON BANK CLEARINGS IN 1915

WHILE London clearings fell off in the past year, country clearings increased. The accompanying table shows the changes as compared with the preceding year:

	1914	1915	Inc. (+) or Dec. (—).
Grand total	£14,665,048,000	£13,407,725,000	—£1,257,323,000
Town clearings	12,434,322,000	10,911,090,000	— 1,523,232,000
Metropolitan clearings	860,262,000	929,064,000	+ 68,802,000
Country checks and clearings	1,370,464,000	1,567,571,000	+ 197,107,000

The absence of the Stock Exchange settlements, the enormous decrease in ordinary capital issues, and the reduction of daily short-money transactions fully account for the drop in town clearings, says "The Economist."

BARCLAY'S BANK TO MERGE WITH THE UNITED COUNTIES

THE Treasury has given its sanction to an issue of capital stock by Barclay's Bank, enabling Barclay's to amalgamate with the United Counties Bank, which merger the Treasury vetoed last October. This action by the Treasury is regarded as indicating the influence of a broader personality in the Treasury Department and closer touch with business opinion.

LONDON CITY AND MIDLAND BANK

THE directors of the London City and Midland Bank, Limited, have reported that the profits for the year ended December 31 last, including £421,285 brought forward, amounted to £1,552,262. They have also recommended a dividend for the last six months at the rate of eighteen per cent. per annum, payable on February 1, which, with the interim dividend at the same rate paid in July last, amounts, less tax, to £745,804, applying £642,860 to writing down investments, £30,000 to building redemption fund and £20,000 to officers' pension fund, leaving £113,598 to be carried forward.

The dividend for the year 1914 was at the same rate, £20,000 being applied to officers' pension fund and £421,285 carried forward.

THE SAVINGS BANK OF GLASGOW

THE statement of accounts submitted to the eightieth annual meeting of the trustees and managers of the Savings Bank of Glasgow reflected the prosperity at present enjoyed by the working classes of that city. The bank, it was pointed out, has the distinction of being the largest savings bank in the country, the funds at its credit being considerably more than the combined

amounts of the next two largest savings banks in Great Britain. Lord Provost Dunlop, who presided at the meeting, suggested that since the excess profits of the commercial community were being taxed fifty per cent. by the Government, it would not be unfair to compel the working classes to save fifty per cent. of their extra earnings in this time of national stress.

The report for the year ended November 29 showed that the number of new accounts opened during the year in the ordinary department was 43,086 and in the investment departments 1,022. The number opened in the preceding year in the ordinary department was 39,343 and in the investment departments 1,310. The number of deposits was 937,422 and the number of payments 403,677; number of Government stock purchases by depositors—War loan 13,835, other stocks 44, sales of stock 53. The total transactions were thus 1,355,031, or an average number of 26,058 per week. The deposit transactions in the ordinary department of amounts not exceeding £1 were 461,271, or nearly one-half of the total number. The deposits in the ordinary department were £3,259,093, an increase for the year of £284,246. The deposits in the investment departments were £260,904. The payments in the ordinary department were £3,049,671, an increase for the year of £87,930; transfers from the ordinary department to Government stocks bought by depositors—War loan £712,039, other stocks £4,940. The payments in the investment departments were £479,236, of which it was estimated that sums amounting to £250,000 were withdrawn for investment in the war loan. The balance due depositors at the end of the year, including £300,397 of interest added to depositors' accounts, was £11,719,513, a decrease for the year of 3½ per cent. This decrease was considerably more than balanced by transfers to the war loan.

TO SHORTEN BANKING HOURS IN LONDON

FROM the purely financial standpoint the most important statement in the report of the Clerical and Commercial Employments Committee, appointed to consider what steps should be taken to replace men withdrawn for military service, which has been recently issued in London, is that which refers to the working hours of the banks. Communications received by the committee indicated that the difficulties which will be caused by the loss of staff (due to enlistment) might be lessened if the hours during which the banks are open to the public were shortened, and that the banks would be disposed to con-

sider favorably a proposal to that effect. At the instance of the committee the Home Secretary addressed a letter to the committee of the clearing bankers inviting them to consider the suggestion, and the committee are now informed that the clearing bankers have decided in favor of earlier closing and are engaged in considering the scheme for carrying it into effect. This is the first official intimation that a decision with regard to early closing had been actually reached, although it was generally understood that the innovation had been agreed upon. It is expected that the earlier closing hour (3 o'clock), which will refer to the metropolitan area, will come into force shortly.

LLOYD'S BANK ENLARGED

LLOYD'S Bank has leased the ground floor and the first floor of the Equitable Life Building in the Place de l'Opera, now occupied by Tiffany's. Tiffany's will go to the present Lloyd's Bank offices at 26 Avenue de l'Opera, storing part of its stock.

The large increase in the clientele of Lloyd's Bank, especially among Americans, is attributed to the fact that it did not take advantage of the moratorium during the critical weeks of the German advance. A special American department has been organized.

BANK SHARES IN LONDON

IN common with all other high-class investments, says the "London Economist," bank shares had suffered a tremendous fall in price from the war. At the first outbreak the market was paralyzed and business at a standstill. Then, as it became evident that the Government would support the joint-stock banks through all their difficulties, a certain amount of public interest in the shares was shown, and a slight improvement in prices took place. As the war proceeded, however, and the nature of the probable demands for war money was realized, investment was checked and shares of so purely an investment character were naturally neglected. The result is a very considerable drop in the market price of the shares, and (despite a fall in dividends) a rise in the general level of yields. This fall does not indicate a decline of public confidence in the banks, but merely a cessation of investment and a natural desire to put money into Government securities. Before the joint-stock banks lies many a difficult problem, and the managers will need to combine caution and courage in a high degree if they are to give all the help they may to the State now and after the war is over, but there is no reason to feel more gloomy about their future than we must feel about any commercial concern in Europe.

Indeed, in some ways the English banks are more obviously strong today

than ever before, for they have been through an unparalleled ordeal without a failure of strength, and financial concerns that could stand in August, 1914, are not likely to fall in any subsequent crisis. We know now that the Government cannot afford to let the banking system collapse, and whatever trials may be ahead of the banks, it is unlikely that while war lasts active Government support would fail them.

Another favorable point which deserves the attention of bank shareholders is the fact that Consols have now been for the most part converted into a security with a redemption price. In view of the long, weary years of depreciation and the regular half-yearly expenditure of profit on writing off the waste on Government and other securities, this is certainly encouraging. The advantage has been paid for heavily, but, for all that, is a great advantage, and no one will benefit from the change more than the big joint-stock banks.

BRITISH EXPORTS

A CERTAIN amount of satisfaction, says the "London Statist," has been expressed that the value of our imports in October has been no more than £67,792,000, in comparison with £70,293,000 in September and as much as £76,117,000 in July, and inferences have been made that this decline indicates greater economy in consumption in this country. One wishes that one could take this view of the matter, but unfortunately the facts do not altogether square with the theory. The decline in our imports in October was due in part to the lightness of our imports of wheat and flour, the quantity of wheat imported being only 5,000,000 cwt., against nearly 8,000,000 cwt. two years ago, and the quantity of flour imported being no more than 829,000 cwt., against 1,235,000 cwt. in October 1913. Now, the drop in our wheat and flour imports has not been due to economy. It arises from the fact that American farmers and dealers in wheat expect to sell this year's crops at higher prices than have recently been current, and have been holding back supplies. Last year the financial pressure in all the wheat-growing countries forced wheat upon the market early, but this year there is no financial pressure in those countries; indeed, the prosperity of farmers is so great owing to the high prices at which they have sold their last year's crop and at which they are able to sell this year's crop also, that they are exceptionally well able to hold their crops for a time if they regard prices as unsatisfactory. We notice that the Board of Trade has assumed that the small imports of wheat recently was due to the difficulty of obtaining charters for the carriage of wheat, and that it has commandeered ships to carry wheat. If the Board of Trade will look into the matter more

closely we think they will find that the recent small arrivals of wheat here arise not only from the dearth of shipping, the seriousness of which we recognize, but also from the abundance of money in the agricultural countries, and to the consequent ability of the farmers in those countries to hold their wheat for what they now regard as satisfactory prices.

	August, 1914. Rs. (lakhs).	August, 1915. Rs. (lakhs).
Exports of merchandise,† including re-exports....	9,78	15,15a
Imports of merchandise†.	12,93	12,36
Excess of exports over imports	—3,15	2,79
Net imports of gold†....	44	48
Do. silver†	71	45
Net imports of treasure	1,15	93
Council bills paid in India	88.9	18
Sterling bills on London sold in India..........	4,20.7	1,22.9
Enfaced rupee paper (net imports)	2.5	25.2
Interest on enfaced rupee paper	1.9	1.8
	d	d
Rate of exchange........	15.994	15.964

†Exclusive of Government transactions.
a Includes Rs. 44 lakhs, being the value of wheat exported on Government account.

The council bills paid in India in August, 1914, and 1915, were all paid through the treasuries. Since wheat exports to the United Kingdom are being financed by government, the demand for council bills is, according to capital, less than what might have been anticipated. As regards enfaced rupee paper, 3,65,900 rupees represented the amount of paper enfaced to London and 6,21,300 rupees that retransferred from London in August, 1914, while in August, 1915, 5,45,000 rupees represented the amount of paper enfaced to London and 30,67,700 rupees, the amount retransferred from London.

Asiatic

HONG KONG BANKING CORPORATION DIVIDEND

WADE GARDNER, New York agent for the Hong Kong and Shanghai Banking Corporation, has received a wire from the head office of the corporation at Hong Kong, as follows:

"Subject to audit the final bank dividend for the year ended December 31, 1915, will probably be forty-three shillings per share, and in addition, bonus of five shillings per share, both subject to deduction of income tax, making a total dividend for the year of £4 11s."

BANKING CONDITIONS IN TIENTSIN, CHINA

IN analyzing the customs statistics of the trade of the Tientsin district for 1914, Consul General Fred D. Fisher says:

"The foreign banking in this district is done through strong banking institutions of British, French, Belgian, German, Russian, and Japanese nationalities. No American bank is operating here. Practically all bills in the trade between the United States and this district are drawn on London in pounds sterling. In nearly all cases where credits are settled in United States currency or bills of exchange are drawn in United States dollars, a discount of one-half to two per cent is realized. This condition is doubtless due to the fact that practically all bank transactions between the Far East and other parts of the world are cleared through London, the debit balance of America's trade being used to offset the credit balance of Europe's trade with the Orient.

"The establishment of an American bank in this district, providing it was strong enough to meet the opposition of the other banking institutions, would be of great assistance in the extension of

American trade and interests here in negotiating American bills, facilitating credits, etc. Such an institution would, however, probably experience considerable difficulty in establishing itself, unless American trade interests both here and in America gave it active support.

"The Mexican dollar has practically passed out of circulation here, having given place to the native currencies, the Pei Yang dollar and the Yuan Shih K'ai dollar, which have a value of about two cents under the Mexican dollar. It is also observed that the note issues of the various foreign banks that formerly circulated in the interior markets where foreign trade is maintained have been replaced by the note issues of the native banks.

"An American banking institution, to be of any material assistance in the extension of American trade, should be strong enough to hold its own with the banking institutions of the other countries operating in this district. It should be in a position to extend credit, against proper securities, to both native and American representatives of American goods, to assist in financing worthy industrial undertakings and concessions in the hands of American interests, and to participate in national and provincial loans."

Latin America

BRANCH BANKS IN LATIN AMERICA

COMMENTING on branch banking in South America the National City Bank of New York says in a recent trade letter:

About one year has now elapsed since the branch of the National City Bank of New York was opened at Buenos Aires, this being the first of the six branch banks that have thus far been established by this bank in foreign countries, under the authority of the Federal Reserve Act. The branch at Rio de Janiero was opened in March, 1915, and since then its sub-branches at Santos and Sao Paulo, important cities of Brazil. August 1, 1915, a sub-branch of the Buenos Aires office was opened in Montevideo, and on August 23 the West Indian Branch at Havana, Cuba. In Havana, a going institution, The Banco de la Habana, with $1,000,000 capital, which had been in existence six years, was taken over, but the other branches are new banks. The aggregate amount of capital allotted to these branches in compliance with the provision of the Federal Reserve Act is $3,000,000, but the allocation is useless and the provision of law unfortunate. Evidently there can be no limitation upon the liability of the bank for its branches; it is necessarily and inevitably behind them in all their obligations, and inasmuch as they are in competition with banks of large capital it would be better to have no suggestion of a limited responsibility. The British banks in South America name only their home capital.

When the policy of establishing branches in foreign countries was determined upon it was known of course that all the fields under consideration already had ample banking facilities for the present volume of domestic business, and that, in addition to the local banks, British, German, French, Spanish and Italian banks were well established with branch offices, and competing sharply in all lines. It was known also that an American bank operating under the restrictions of the national banking system would be at a disadvantage in some respects in competing with banks which are allowed greater freedom of action, banking customs in these countries being quite different from in the United States. Other difficulties, incidental and inevitable in the establishment of branches in strange fields, so far from headquarters, were anticipated and have been realized. Nevertheless, what has been accomplished, viewed as a beginning and a foundation for future efforts, is sufficiently encouraging to justify persistence in the policy.

Banking and Financial Notes

EASTERN STATES

New York City

—The first concerted effort by national bank officers to comply with that provision of the Clayton anti-trust law directed against interlocking directorates was begun at the annual meetings of the stockholders, held last month.

Although the new statute does not become effective until October 1 there was a general disposition to follow out at this time the instructions contained in the act. In some cases the matter was postponed until a later date. This will make necessary calling special stockholders' meetings.

Among the more important banks where changes in the directorates were influenced by the Clayton law were the National City Bank, the National Bank of Commerce, the First National Bank and the Chase National, on whose boards were several directors of other banking institutions. The operation of the act will also cause many changes in the boards of trust companies. In such institutions as the Bankers Trust Co., the Guaranty Trust Co. and the Astor Trust Co., on whose boards are many national bankers, the directors will relinquish their affiliations with the state institution rather than with their national bank.

Private bankers also come under the law, so far as their relations with national banks are concerned. This will affect certain members of the firm of J. P. Morgan & Co. William H. Porter is a director of the Chemical National Bank, Thomas W. Lamont is on the First National board and Henry P. Davison is a director of the Liberty National Bank. J. P. Morgan is not a director of any banking institution, having resigned his membership on such boards two years ago, when public sentiment was aroused by the criticism of interlocking directorships and their possible evils.

Among the prominent national bank officials who retired from bank boards were Frank A. Vanderlip, A. Barton Hepburn, Albert H. Wiggin and Francis L. Hine. Mr. Vanderlip resigned from the boards of the National Bank of Commerce, the Riggs National Bank of Washington and the Farmers Loan and Trust Co. The only bank board on which he now serves is the National City, of which he is also president.

Mr. Hepburn, who is chairman of the Chase National Bank, retired from the

board of the First National, and Mr. Wiggin, president of the Chase, resigned from the Bank of Commerce board, along with Mr. Hine, president of the First National, and W. A. Simonson, a vice-president of the National City Bank. Other changes that took place last month were

American Exchange National Bank—John F. Browning, George Legg, James A. Smith and Edgar J. Nathan were added to the board.

Bank of New York (N. B. A.)—W. S. Coffin, P. T. Dodge and E. L. Hopkins were elected directors to fill vacancies.

Battery Park National—Alfred Romer succeeds Max N. Norman on the board.

Bayside National—William Teller added to board.

Bronx National—Martin Saxe retired from board.

Chase National—James N. Hill succeeded his father, James J. Hill, as a director. New additions to the board included Charles M. Schwab, Daniel G. Jackling and Frank A. Sayles.

Citizens' Central National—Henry A. Cæsar and Howard F. Clark added to board.

Coal and Iron National—Ford Huntington elected to board.

First National of Jamaica—William H. Kniffin, Jr., succeeded the late John H. Eldert as director.

First National of Ozone Park—E. A. Gillespie retired from board.

Garfield National—Angier B. Duke succeeded Charles L. Willis, and Arthur A. Snow and Samuel Adams were added to board.

Greenpoint National of Brooklyn—Peter Doelger and Samuel Horowitz elected directors; James A. McCassidy, George A. Morrison, Julius Siegelman and George H. Rowe retired.

Hanover National—Henry W. Howe elected to board.

Harriman National—Frederick Phillips, vice-president, elected director in place of Robert M. Gallaway.

Irving National—Harry E. Ward, vice-president, made a director.

Liberty National—Frank N. Bethell succeeded his father, U. N. Bethell, as director, and Alexander M. Hall succeeded Z. S. Freeman.

Mariner Harbor National, Borough of Richmond—S. Bedell succeeded W. R. Comfort as director.

Merchants Exchange National—Herman D. Kountze succeeded P. C. Lounsbury as president, latter being made chairman of board.

Nassau National of Brooklyn—Adrian Van Sinderen succeeded Harold T. White as director.

National Butchers and Drovers' Bank—Edward T. Howland elected to board to fill vacancy.

National City Bank—William Copper Proctor, president of Proctor & Gamble Co., added to board. New assistant cashiers appointed included John G. Scatterwood, William J. Birdsall, J. Lowry Dale and H. J. Dreher. James E. Denning was appointed the bank's European representative, and Mauritz W. Pyk, Scandinavian representative.

New York County National—W. H. Noyes succeeded P. R. de Florez as a director.

Richmond Borough National—G. S. Holbert succeeded William Smith as a director.

Ridgewood National—Frederick Sprower succeeded A. W. Newman, vice-president.

Sherman National—William Eittington succeeded C. A. Spalding.

Tottenville National—Ira J. Horton succeeded William Smith.

—On January 3 the Federal Reserve Bank of New York began acting as the fiscal agent of the Government under the designation made by Secretary McAdoo on November 24, effective from and after January 1.

The customs receipts for the day and those of the First, Second, Third, and part of the Fourteenth Internal Revenue Districts, comprising all of the City of New York and some outside territory, were deposited in the Reserve Bank instead of in various banks that have heretofore received them in rotation. Existing Government balances in fourteen banks in the city were withdrawn and deposited in the Reserve Bank. They aggregated about $1,400,000.

The Reserve Bank also began receiving on deposit from out-of-town members for immediate credit at par, but subject to final payment by the Treasurer of the United States, all Government warrants and checks drawn on the Treasurer of the United States. These include pay checks, pension payments, and similar items, which go out all over the country.

For the present member banks in the city will collect such items through the Sub-Treasury as heretofore. When the facilities of the Federal Reserve Bank for handling Government deposits have been further developed, city member banks will be notified that Government warrants and checks may be sent to the Reserve Bank through the Clearing House, subject to final payment by the Treasurer of the United States.

—At the annual election of the Metropolitan Savings Bank Jonathan Currey, who has been president of the bank for a period of thirty years, declined re-election. He has been succeeded by Augustus Schnell Hutchins.

Mr. Currey came to the Metropolitan Savings Bank in 1886 as a trustee, his special work being mortgage loan interests. In October, 1893, he was elected secretary and in 1898 president, in which capacity he has served to the present time.

Mr. Hutchins has long been identified with the institution, becoming a trustee in 1883, second vice-president in 1898 and first vice-president in 1908. Mr. Hutchins is a member of the firm of A. S. & W. Hutchins, and is the son of Waldo Hutchins, one of the founders of the bank, incorporated in 1852.

William Sherer, manager of the New York Clearing House, was elected first

vice-president, and R. D. Andrews second vice-president.

—The year 1915 was one of the most successful in the history of the Chemical National Bank. In ordinary years the Chemical National pays a dividend of fifteen per cent. upon its capitalization of $3,000,000. In 1915 the bank declared an extra dividend of five per cent. making an aggregate of twenty per cent. paid to the bank's stockholders in the form of dividends during the year.

On December 31 the Chemical National states that it has deposits amounting to $38,397,245. In its statement of a year ago, the bank reported $29,081,513 in deposits. A comparison of these two reports indicates a most substantial increase in business and is a noteworthy testimonial to the ability and efficiency of its officers. The increase in deposits during the year 1915 as shown by these two reports amounts to $9,315,732, or more than thirty-two per cent.

In its last statement this bank reported loans and discounts of $33,494,996; U. S. and other bonds, securities, etc., $1,967,953; banking house $855,000; exchange, due from banks, etc., $5,096,536; due from U. S. Treasurer $148,500; cash $4,306,475; Federal Reserve Bank $3,814,968. Capital $3,000,000; surplus and profits $7,911,285; circulation $450,000. Total resources $49,770,907.

—Gates W. McGarrah, president of the Mechanics and Metals National Bank, has been elected president of the New York Produce Exchange Bank. Plans are under way for the consolidation of the two banks, the Mechanics and Metals Bank interests having already acquired control of the Produce Exchange Bank. The latter operates several branches, and when the process of absorption is completed the Mechan-

ics and Metals will be the second national bank in this city to have branches, the first being the Chatham and Phenix, which some time ago took over the Century Bank with its dozen branches.

John R. Wood, president of the Produce Exchange Bank, has been made vice-president. Thomas B. Nicholls has been appointed cashier and Charles H. Tomkins assistant cashier.

—J. P. Morgan has been re-elected by the board of directors of the New York Federal Reserve Bank as a member of the Federal Advisory Council, to represent the national banks of the Second District. Mr. Morgan is the only private banker to be chosen to the council. Last year he attended only a few of the meetings, which have been held in Washington, because of illness and lack of time at his disposal by reason of the negotiations of the $500,000,000 Anglo-French loan. It is said that during the current year Mr. Morgan expects to be able to take part at all of the meetings of the council.

—In its last financial statement dated December 31, 1915, the United States Mortgage and Trust Co. showed total assets of $94,564,560.78 and deposits of $76,786,034.58. This company has a capital of $2,000,000, a surplus of $4,000,000 and undivided profits of $241,608.11.

—Oscar L. Gubelman, of the firm of Knauth, Nachod & Kuhne, has recently been elected director in the Washington Railway and Electric Co., the Potomac Electric Power Co., the City and Suburban Railway of Washington and the Georgetown and Tenallytown Railway Co.

—The State Superintendent of Banks reports that the savings banks of the State gained $18,311,202 in deposits last year, bringing total deposits up to $1,791,524,601.

—At a recent meeting of the stockholders of the Guaranty Trust Co. of New York held the following directors were elected to serve for three years:

Charles H. Allen, Caleb C. Dula,

Robert W. Goelet, William A. Harriman, Gates W. McGarrah, G. M.-P. Murphy, Thomas F. Ryan, Charles H. Sabin, John A. Spoor and Albert Strauss.

Of these all are former directors and were re-elected, with the exception of Caleb C. Dula, president of the Liggett & Myers Tobacco Company, and Albert Strauss, of the firm of J. & W. Seligman, who were elected to fill vacancies.

—R. E. Saunders, New York agent of the National Bank of South Africa, Ltd., has received a cable advice from London that branches of the bank have been opened at Delarey in the Transvaal and Keiroad in the Cape Province.

This bank has now close upon 300 branches in South Africa.

—After a service of twenty-three years as president of the Continental Trust Co., now merged in the New York Trust Co., Otto T. Bannard resigned January 19, 1916, to assume a newly created position as chairman of the board and of the executive committee. He will continue in the active administration of the company's affairs.

Mortimer N. Buckner, who began work under Mr. Bannard in the Continental Trust Co. as an office boy at $6 a week, was elected president of the New York Trust Company. He has been fourteen years in going through the various departments. James Dodd was promoted from treasurer to a vice-presidency, succeeding Mr. Buckner in that capacity, and Charles E. Haydock was appointed treasurer. Harry Forsyth was made assistant treasurer and Joseph A. Flynn an assistant secretary. The present company grew out of a merger of the Continental Trust Company with the New York Security and Trust Company in 1904.

—A booklet entitled "The Mortgage Business of the Title Guarantee and Trust Co., Bond and Mortgage

Guarantee Co. and the New York Investors' Corporation" has recently been issued by these institutions. As the title implies this booklet explains the mortgage business of these institutions and their special service to investors.

—At a meeting of the stockholders of the American Exchange National Bank held January 11 the old board was re-elected to succeed themselves, and John S. Browning of Browning, King & Co., George Legg of New York, Edgar J. Nathan of Cardozo & Nathan, attorneys, and James A. Smith of Calhoun, Robins & Co. were added to the board.

—At a special meeting of the Guaranty Club, composed of officers and employees of the Guaranty Trust Co. of New York, held on January 20, R. B. F. Randolph, assistant chief clerk of the company, was elected president to suceed H. R. Wohlers, who has resigned to become associated with C. J. Wrightsman.

Mr. Randolph has been an active worker in the Guaranty Club for several years. He has been connected with the Guaranty Trust Co. for more than 15 years, during which time he has worked in various departments, and his election to the presidency of the club is a most popular one.

The Guaranty Club has a membership of over 600 and is very active, both socially and in educational and welfare work. It holds periodical outings, theatre parties, an annual dinner and only recently gave a dance on the main floor of the Guaranty Trust Co. building which was attended by more than 350 couples. The Thrift Fund maintained by the club for the encouragement of systematic saving by its members amounts to more than $80,000.

—According to the statement issued by the Guaranty Trust Co. of New York in response to the call of the State Superintendent of Banks, the total resources of that institution on December 31, 1915, were $505,736,104.18.

This represents a gain of $236,000,000 in one year. The deposits increased in the same period from $211,000,000 to $418,000,000—a gain of $207,000,000 in the twelve months.

These are the highest figures ever reported by the Guaranty Trust Co., and, incidentally, have never been exceeded by those of any trust company in the world.

—The Title Guarantee and Trust Co. and the Bond and Mortgage Guarantee Co. have issued a pamphlet entitled "Why the Demand for Brooklyn Mortgages is so large." This booklet in an interesting and readable way describes the advantages of the Brooklyn mortgage.

—Grayson M.-P. Murphy, vice-president of the Guaranty Trust Co. of New York, has been elected a director of that institution.

—Albert Breton, vice-president of the Canal Bank and Trust Co. of New Orleans, has become associated with the Guaranty Trust Co. of New York, and will be the special foreign representative of that institution.

Mr. Breton began his banking career in 1892 with the Comptoir National d'Escompte in Paris and was connected in various official capacities with their foreign branches in London, Calcutta and Bombay. He also has had business experience in Japan, China and Brazil. In 1905 he organized the German-American National Bank of New Orleans and also the German American Trust and Savings Bank, both of which in 1914 were consolidated with the Canal-Louisiana Bank and Trust Company under the name of the Canal Bank and Trust Co., of which Mr. Breton became first vice-president and a director.

Mr. Breton has been active in the Louisiana Bankers Association, serving

ALBERT BRETON
SPECIAL FOREIGN REPRESENTATIVE, GUARANTY TRUST COMPANY, NEW YORK

as its vice-president in 1908 and as president in 1909. During the past three years he has made a special study of Central and South American banking business, and in 1913 organized the Banco Atlantida, which has branches in

TWENTY-EIGHT ANNUAL STATEMENT

OF THE

American Real Estate Company

FOUNDED 1888

General Office, 527 Fifth Avenue, New York City

Condensed Balance Sheet at close of business

December 31st, 1915

ASSETS

Real Estate—Land and Buildings		$24,627,745.93
Less: Total Mortgages Thereon		9,952,970.00
Net Valuation of Real Estate Owned		$14,674,775.93
Mortgages Owned	$1,025,603.98	
Securities of Other Companies	335,901.00	
Leasehold Property in New York City	20,000.00	
		1,381,504.98
Cash in Banks and Offices		408,459.37
Accounts and Bills Receivable and Interest Receivable, due and accrued		220,945.38
All other Assets, Accruals, etc		87,675.46
Total		$16,773,361.12

LIABILITIES

6 per cent. Coupon Bonds and Certificates—Fully Paid		$7,849,989.44
6 per cent. Accumulative Bonds and Certificates—Installments paid in and Interest accrued thereon		5,719,462.20
Accounts payable		74,615.21
Reserves for final payments on Real Estate, Building Contracts and Completed Buildings		186,034.29
Interest on Mortgages—Accrued but not due		144,195.37
Interest on fully paid Bonds, etc., Accrued but not due		190,751.28
All other Liabilities—Accruals, etc		31,302.01
		$14,196,349.80
Capital Stock—7 per cent. Preferred Stock	$1,855,400.00	
Common Stock	151,100.00	
Surplus	570,511.32	
		2,577,011.32
Total		$16,773,361.12

Cumulative preferred stock dividends have not been paid or accrued since April 15, 1915.

Detailed Statement certified to by Appraisers and Public Accountants will be mailed upon request.

OFFICERS:

Edward B. Boynton, President
William B. Hinckley, Vice-Pres.
Austin L. Barcock, Vice-Pres. & Treas.
Clarence S. Shumway, Secretary
Clinton T. Miller, Ass't Treasurer
Francis H. Sisson, Advg. Counsel
Richard T. Lingley, C. P. A., Consulting Accountant

R. T. Wood, Counsel

the principal commercial centers of Spanish Honduras, C. A.

Mr. Breton is treasurer of the New Orleans Association of Commerce, a member of the committee on securities of the New Orleans Clearing House, and chairman of the New Orleans Executive Committee of the National Foreign Trade Convention which was held in New Orleans on January 27, 28 and 29.

—At a meeting of the board of directors of the Fifth Avenue Bank held last month Theodore Hetzler was elected president of that institution. Mr. Hetzler entered the employ of the Fifth Avenue Bank twenty-five years ago, first acting in the capacity of a messenger. Now, at the age of 40 he is said to be the youngest president of a prominent New York bank. The Fifth Avenue bank for years has enjoyed the reputation of being a training school for prominent bankers. Four men who began their banking career as messengers in this bank are now members of the board of directors. These are: James G. Cannon, H. B. Fancher, the newly elected vice-president; William H. Porter of J. P. Morgan & Co. and Mr. Hetzler.

Five years ago Mr. Hetzler was made cashier of the bank and two years later was elected to the vice-presidency. Mr. Hetzler succeeds A. S. Frissell who has been president of the bank for many years. He is succeeded in the vice-presidency by H. B. Fancher. Mr. Frissell declined re-election at the last meeting of the board and was unanimously elected chairman of the board of directors. The new board consists of the following: Gardner Wetherbee, A. S. Frissell, John D. Crimmins, James G. Cannon, Thomas S. Van Volkenburgh, William H. Porter, H. B. Fancher, Henry R. Ickelheimer, Howard C. Smith, Cornelius N. Bliss, Jr., Alfred E. Marling and Theodore Hetzler.

—Charles M. Schwab, president of the Bethlehem Steel Co.; Daniel C. Jackling of San Francisco, president of the Utah Copper Co., and Frank A. Sayles, textile manufacturer and president of the Slater Trust Co. of Pawtucket, R. I., have been added to the board of directors of the Chase National Bank. James J. Hill of the Great Northern Railway resigned and his place was given to his son, James N. Hill.

The board of the Chase has been temporarily increased from eight to eleven. Later in the year it is expected that Francis L. Hine, George F. Baker, Jr., and John J. Mitchell, the latter of Chicago, will resign, and that the board will consist again of only eight members. The Chase Bank stockholders, in the selection of directors, have found difficulties because of the provision in the law restricting the number of non-resident directors to not more than twenty-five per cent. of the total. It was said that the stockholders were desirous of having Vice-President Samuel H. Miller and Edward R. Tinker serve as directors, but that they could not be elected because both of them live in Jersey, and their addition would carry the non-resident membership to more than the prescribed limit.

—The Metropolitan Trust Co. has added an additional vice-president to its list of officers. James F. McNamara, trust officer of the company since 1904, was elected as third vice-president and trust officer at the annual meeting of the board of directors.

Mr. McNamara's twenty-nine years of service in the trust company field began in 1887 when as a boy he secured employment with the former Atlantic Trust Co. He was advanced through the various grades and was in charge of the trust department of that company when the Atlantic Trust Co. was merged in 1903 into the Metropolitan Trust Co.

—Harold J. Dreher, assistant cashier of the Marshall & Ilsley Bank, Milwaukee, Wis., has been made an assistant cashier of the National City Bank, New York. Starting as a bank messenger at 19 years of age, he has through ability and application reached at 26 the managership of the bond de-

JOHNS-MANVILLE SERVICE

COVERS THE CONTINENT

Specialized Departments for Bank Lighting and Bank Acoustics

1

Johns-Manville Lighting Service

comprises three general departments.

Mitchell Vance Co. **Fixtures and Bronzes**
I. P. Frink Co. **Diffused Lighting Systems**
Gill Bros. Co. **Parian Glassware for**

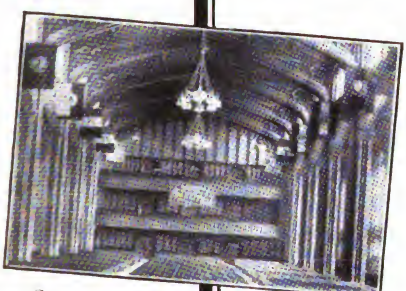
direct, indirect and semi-indirect lighting use.

2

Under the guidance of this complete lighting service, every bank lighting requirement is met and the correct installation assured. We have equipped hundreds of Banks.

Johns-Manville Acoustical Treatment

eliminates all clatter and other distracting noises from banking rooms and offices.

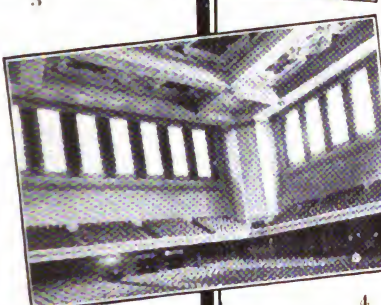


3

The installation of this treatment will neither involve costly changes nor interfere with your business activities.

Ask any J-M Branch Office about these departments.

H.W. Johns-Manville Co.



4

Atlanta	Columbus	Memphis	Pittsburgh
Baltimore	Denver	Milwaukee	Portland
Boston	Detroit	Minneapolis	St. Louis
Buffalo	Galveston	Newark	Salt Lake City
Chicago	Indianapolis	New Orleans	San Francisco
Cincinnati	Kansas City	New York	Seattle
Cleveland	Los Angeles	Omaha	Toledo
	Louisville	Philadelphia	

1 Dominion Bank, Toronto, Canada.
2 Bankers Trust, New York City.
3 Great Hall at College of City of New York.
4 Alleghaney County Soldiers Memorial Hall, Pittsburgh, Pa.

partment of one of the oldest and strongest banks in the Northwest. Two years later he was made assistant cashier of the same bank and at the age of 31 is again selected to fill an important place in the banking world.

In 1913 he was selected from a membership of nearly 14,000 bank men to act as president of the American Institute of Banking, in which position he led the institute to new lines of endeavor and achievement. His service on national committees of the institute is well known and his host of friends will unite in bidding him God-speed in his new and enlarged field of endeavor.

—F. Monroe Dyer and Andrew A. Smith, Jr. together with William G. Atkinson, George G. Moore, Jr., and Willard R. Cox, special partners, have formed a partnership under the name of F. M. Dyer & Co. to deal in high grade investment securities. All were formerly of N. W. Halsey & Co. The firm's offices will be at 24 Broad street.

—The Guaranty Trust Co. of New York has prepared a revised edition of its Federal Income Tax booklet, which contains the full text of the law, annotated and thoroughly indexed. It also carries a summary of the Treasury Department rulings affecting individuals and fiduciaries, with a comprehensive index which enables the layman to quickly and conveniently locate any particular feature of the law concerning which he may desire information. The Guaranty Trust Co. is distributing this booklet upon request to those affected by the law or interested in its provisions.

—Frederick Pierce, formerly manager of the Philadelphia office of N. W. Halsey & Co., has been appointed general sales manager of the eastern offices of that firm, with headquarters in New York.

—It is reported that William J. Wollman, one of the most widely known of the younger school of financiers, and among the best posted on conditions relative to the security markets, is to retire from the managing partnership of J. S. Bache & Co., bankers and members of the New York Stock Exchange.

Mr. Wollman is forty-eight years old and has spent twenty years in the financial district. He came to New York in 1898 from the West. He entered the bond business, and, after a successful two years, joined the firm from which he will soon retire.

Philadelphia

—"The banking power of the country," says the Franklin National Bank of Philadelphia in its January trade letter, "is the greatest we have ever known; the prosperity of the farmer and the laborer is far beyond anything they have heretofore experienced. With great banking power, prosperous farmers and fully employed and well paid labor, we have a combination of three factors which can mean nothing else but a tremendous forward stride in 1916 for the United States of America and all of its people."

Pittsburgh

—Speaking of conditions in the Pittsburgh district the Peoples National Bank of Pittsburgh said in its January trade letter:

"An idea of the real state of the iron and steel industry may be had when it is stated that preparations have been made for starting the last of the blast furnaces located in the Pittsburgh district, which have not been in operation for many years. These preparations have been made despite the fact that the output of iron in the last quarter of 1915 surpassed the maximum ever before recorded in this or any other country. Pig iron is not made to go into storage, but for current use. The demand for finished products may be appreciated when it is stated that the un-

filled orders on the books of the Steel Corporation at the opening of 1916 (assuming an increase in December corresponding with the gain in the month immediately preceding) exceeded 8,000,000 tons, the largest ever reported. Furthermore, the general condition of the industry may be appreciated when it is said that the average price of finished steel is now the highest in eight years.

"It is needless to say that in Western Pennsylvania at least—if not in the United States as a whole—the state of the steel trade is a reliable indicator of industrial conditions generally; that maximum activity in this industry involves maximum employment of labor, and this in turn involves maximum earning power and spending power."

Buffalo

—The accompanying table shows in a graphic manner the significant deposit growth of the Bank of Buffalo during the past two years:

June 4, 1913	$9,281,297.40
Dec. 9, 1913	11,109,487.54
Dec. 24, 1914	13,705,550.36
Dec. 31, 1915	20,589,672.86

Albany

—"The last fiscal year was not only one of the most eventful years in the history of the Banking Department of the State of New York, but promises to be memorable as an epoch-making period in the financial history of the United States," asserts Superintendent of Banks Richards, in his report on banks of deposit and discount, which was transmitted to the Legislature at its opening session, January 5.

Superintendent Richards refers to the disturbances in the financial world following the outbreak of the European war resulting in the closing of the Stock Exchange, and the precautions

which were taken to meet the unusual situation which developed.

"The state institutions," the Superintendent said, "have apparently emerged from this period of trial with prospects of more successful operation and of greater usefulness and service to the agricultural, business and commercial interests of the state than heretofore.

"The close of the fiscal year presented a complete antithesis of the beginning. There was throughout the state, as well as throughout the country, a revival of business along practically all lines, and the greatest optimism prevailed. The Stock Exchange had reopened and its daily transactions were making new records. In fact, owing to the great increase in the apparent value of certain stocks formerly scarcely known, as a result of war orders, there developed one of those wild speculations which usually result in equally violent collapse in values, but again the real conservatism and business foresight of the financial leaders of the state and Nation were displayed in their control of conditions.

"Attention was forcibly called to the absolute impossibility of foreseeing all the possible results of the European cataclysm, and various measures adopted to stem a speculation that threatened to become a mere gamble. As a result, a halt seems to have been called upon undue speculation, and, under wise and sane leadership, the financial resources of the country and state are being marshaled to meet whatever emergencies the future may bring forth, to fortify and confirm the enviable position in the business and commerce of the world which the country has now attained, with the assured result of paving the way for future progress."

—Banks of York City and County, Pa., are prospering according to a recent issue of the "York Dispatch," which says:

"Twenty-three million five hundred and twenty-two thousand five hundred and seventy-seven dollars are the impressive figures of the aggregate deposits in the banks of York city and county during the year 1915. They stand out the more striking when compared with the figures of 1914, such comparison revealing a gain of $1,376,-562 for the year. The increase is the greatest ever recorded by the forty-one local banks, the best previous showing having been that of last year, when a gain of $1,250,000 was recorded.

"Never so much as this year, has the annual compilation of these statistics for 'The Dispatch' revealed the stability of York county's wealth. With manufacturers complaining of depressed business conditions, with some industries operating on reduced time, or with reduced forces, York countians have yet found themselves able to add to their money in bank. Temptation to remove money from the banks and invest it in stocks and bonds has never been greater than during the present period of war inflation of securities, yet the banks of York county have gone steadily on gaining in the volume of their holdings.

"If the report gives any reflection of prosperity not at its height, it is in the showing of the city banks. These hold deposits amounting to $11,857,628, as compared to $11,339,323 last year. This gain of $518,305 for the year falls considerably short of that of $1,013,-323, which was made in 1914 over 1913.

"But the banks of the county outside of York have more than made up the deficiency in increase. Their total deposits this year amount to $11,664,-949, as compared to $10,806,690 in 1914. While the deposits of these banks outside the city showed last year a gain in deposits of $236,690 over 1913, they this year show a gain of $858,359 over 1914.

"The grand total for banks of the city and county is shown to be $33,160,-577. Last year it was $31,908,509, the gain being $1,252,068. The increase revealed last year over 1913 was $884,-509, which, though quite substantial, was not much more than two-thirds of the amount of this year's gain. Again York city has not quite done its share this year, the footings of $17,503,627 being a gain of $423,416 over 1914, as

compared to a gain of $491,711 last year over 1913."

NEW ENGLAND

Boston

—With the recent opening of the Paul Revere Trust Co.'s new offices in Copley square the banking facilities of the Back Bay will be notably improved. Particular attention is to be paid in the new rooms to looking after the accounts of women and householders, and it is claimed by the management that much of the inconvenience of the busier down-town section may be avoided by using the branch which is in the Wesleyan Building. Particular stress is laid upon the advantage of renting a safe deposit box up-town for the keeping of household valuables and personal effects.

—The First National Bank has issued another of the series of booklets entitled "The Wealth of America." The present pamphlet describes "Minerals and Metals." It is shown that in the production of iron and steel the United States leads by a wide margin followed by Germany, Great Britain, Russia and France in the order mentioned.

—"The best way to study the income tax is to study its history; by knowing what has led up to it we shall be able to form an intelligent opinion as to what it is likely to accomplish when properly applied in the future," says the National Shawmut Bank in a pamphlet entitled "A State Tax on Incomes." This pamphlet contains a very careful and scholarly study of the history of the income tax.

—At the annual meeting of the stockholders of the Puritan Trust Co., Frederick W. Stockman was elected president to fill the vacancy caused by the death of John D. Long. The other officers and directors were re-elected.

—Frank J. Carens, who has been recently elected treasurer of the Old South Trust Co., to succeed R. H. Bean, who has resigned to become treasurer of the Casco-Mercantile Trust Co. of Portland, has been for the last four years treasurer of the Hibernia Savings Bank of Boston. Previous to that time he was connected for a number of years with the First National Bank of Newburyport.

Portland, Me.

—On January 1 the Casco National, one of the oldest banks in Portland, Maine, and the Mercantile Trust Co. of that city, consolidated their business and will hereafter be known as the Casco-Mercantile Trust Co. of Portland.

The new institution begins business

with deposits of $8,000,000 and is to occupy the premises now used by the Casco National Bank, after extensive alterations are completed. The board of directors represent the largest interests of the commercial life of the city and the new institution will be one of the largest in the state.

Frank L. Rawson, formerly the commercial superintendent for the New England Telephone and Telegraph Co. and a man of wide business acquaintance, will be the vice-president of the new company.

Robert H. Bean, who for fourteen years served the National Union Bank of Boston in nearly every department and who has for over a year been treasurer of the Old South Trust Co. of Boston, will be the treasurer. Mr. Bean holds an enviable record in the American Institute of Banking, having served on many committees and acting as chairman of its executive council in 1913-1914. He was elected president of the institute at the recent San Francisco convention.

Hartford

—The City Bank and Trust Co. of Hartford, Conn., has moved into its magnificent new home at the corner of Trumbull and Asylum street.

—Frederick A. Lines, who has been president of the Savings Bank of Ansonia, Conn., since 1910 has sent in his resignation to the board of directors of that institution and has been succeeded by William A. Nelson. Mr. Nelson was formerly secretary and treasurer of the bank. He will be succeeded by F. T. Rolfe, who has been connected with the bank in the capacity of chief clerk for the past fifteen years.

—The Middlesex County National Bank of Middletown, Conn., has merged with the Middletown National Bank of that city. The Middletown National will take over the business of the Middlesex Bank, and in the liquidation of the latter bank the stockholders will receive about 105 for their shares. It is planned to enlarge the board of directors of the Middletown bank and also increase the number of officers.

According to the statements of the banks submitted to the Comptroller of the Currency, as of November 10, the principal items of the Middletown Bank were: Capital, $369,300; surplus and profits, $225,840; loans and discounts, $740,991; deposits, $1,112,906, and cash and reserve, $572,130. Middlesex County National: Capital, $175,000; surplus and profits, $39,564; loans and discounts, $272,935; deposits, $441,990, and cash and reserve, $172,394.

The Middletown National is one of the oldest banks in the state, having been chartered in 1795.

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—Bankers of Virginia are keenly interested in the session of the state legislature, which convened in Richmond January 12, as a number of measures of vital importance to the financiers are to be considered. One of the vexing questions to be taken up will be to determine the authority of the State Examiner of Records.

Recently the State Examiner of Records demanded a list of all interest depositors in the banks of Richmond, that he might check these against the tax receipts of the depositors and ascertain if proper report had been made to the assessors. The bank officials denied the right of the examiner to demand this information and the matter was appealed by the examiner to the local board of review. The latter agreed that the banks were right in declining to give this information and suggested that the matter be taken up with the legislature and a positive understanding reached on the subject. The banks will stubbornly fight any general demand for a list of depositors, but express a perfect willingness to give any information asked for in any specific case.

The legislature will also be asked to pass a law preventing state or city officials from borrowing money from a bank in which the official funds are kept. The penalty will be to deprive the bank from having any such deposit and the official who borrows the money will lose his position and be subject to a fine or imprisonment.

There is considerable money in the banks of the state the ownership of which is unknown to the bank officials. In some instances this money has been on deposit for fifteen or twenty years and all efforts of the bank officials to locate the owners have been unsuccessful. A bill will be introduced providing for the disposition of this money as fol-

lows: one-fourth to the pensioning of Confederate soldiers' widows; one-fourth to the pensioning of public school teachers; one-fourth to the betterment of primary schools and one-fourth to the betterment of country roads.

There will also be a measure introduced to modify the present law, which will provide for a minimum charge of fifty cents for the handling of small notes where the legal rate of six per cent. would not amount to that much. The bankers contend that it is just as much trouble and requires the same clerical work to handle a note for $10 for thirty days as a note for $10,000 for three months. The opinion prevails that the members of the General Assembly will readily understand the importance of the measure and will pass it without opposition.

—The interlocking directorate clause in the Clayton law was not considered in the election of boards of directors of the national banks of this city January 11. The members were elected without any thought of affiliation with other institutions and in nearly every instance the old members were re-elected.

The fact that the Clayton law does not become operative until October was the reason the banks here ignored the provisions of the new law that prohibits a director in a national bank from acting in a similar capacity in a state bank. Bank officials in Richmond are hopeful that the law will be amended so as not to interfere with the dual work of directors of the banks.

While there was only one change in the membership of the boards, there were several additions to boards, the most notable being the addition of George W. Stevens, president of the C. & O. Ry. Co., and Addison Reynolds, president of the Richmond Stove Co., who were elected members of the board of the Merchants National Bank. There were two other changes in this bank—R. H. Broaddus, for several years auditor of the bank, and R. S. Rossell, in the credit department—were made assistant cashiers. Mr. Rossell was for-

merly connected with the Fourth National Bank of New York.

George A. Holderness, president of the Farmers Banking and Trust Co., of Tarboro, N. C., and one of the most prominent bankers in the old North State, was elected a member of the board of directors of the First National Bank to succeed A. D. Williams, who declined re-election. This was the only change in this bank.

At the National State and City Bank all the old officers and directors were re-elected without change.

No changes were made in the list of directors or officers of the American National Bank.

At the Planters National, Warren M. Goddard was elected assistant cashier, a new position just created by the bank. A. D. Williams and R. Latimer Gordon were added to the board of directors. Mr. Gordon was only recently advanced from assistant cashier to vice-president of the bank.

In the Central National Bank, George Sorg was elected a member of the board. He takes the place vacated by Charles A. Peple, who last July was elected vice-governor of the Federal Reserve Bank of Richmond. All the other members of the board were re-elected.

At the Bank of Commerce and Trusts R. B. Campbell, cashier, was made vice-president and cashier and W. A. Roper was elected assistant cashier. The latter place is a new position in the bank. A. R. Holliday, W. P. Glinn and C. C. Pinckney declined re-election on the board and the vacancies were filled by the election of DeSota FitzGerald, R. M. Kent, Jr., and R. B. Campbell.

—Including the $151,000 placed to the credit of member banks of the Fifth Federal Reserve District by the local reserve bank as a five per cent. dividend on the paid-in capital stock, Richmond banks paid out the 1st of January dividends slightly in excess of half a million dollars. This does not include the dividends of industrial companies, which with the railroad dividends would make the semi-annual disbursement over one million dollars.

—The enormous sum of $47,326,-117.79 was handled by the Federal Reserve Bank of Richmond, for member banks, since the big Federal financial institution began rediscounting, November 26, 1914. The reserve bank for the Fifth District opened its doors for business November 16, 1914, and nine days later began rediscounting for member banks. Since that time the home institution has filled every request from members and the demand for money being very heavy in the Southern territory, the Richmond bank began to be a money maker from the very start and at the close of the first year declared a dividend of five per cent.

During the period of rediscounting, which began November 26, 1914, and ended December 31, 1915, the Richmond bank handled for member banks 31,756 notes.

—Hopewell, the wonder town of Virginia, built adjacent to the great plant of the duPont Powder Co. at City Point, twenty miles from Richmond, is to have three banks with a combined capital stock of $650,000. These will be in addition to the Bank of City Point, which is located near the duPont Hotel, and is capitalized at $20,000.

The Hopewell Bank and Trust Co. has just been organized and will be one of the largest institutions in the new city.

The National Bank of Hopewell has just taken over the Farmers & Mechanics Bank. The officers of this institution are T. F. Heath, president; M. A. Finn and Richard Epes, vice-presidents, and H. J. Watkins, cashier. The capital stock is $100,000.

The Virginia State Bank has a capital stock of $50,000, and the officers are M. A. Finn, president; J. W. Philips and L. J. Vaughan, vice-presidents, and J. M. Luke, cashier.

Handsome new homes are being erected for each of these banks.

—A five per cent. dividend, the first paid by any Federal Reserve Bank, has been declared by the Richmond Bank on its net earnings for the period between November 2, 1914, and December 31, 1915. Announcement of the action was made by the Reserve Board. The dividend goes to member banks in the Richmond district.

Jacksonville

—At the annual meeting of the stockholders of the Heard National Bank of Jacksonville, Fla., J. J. Heard was re-elected president and W. B. Sadler active vice-president. Charles A. Faircloth of Gainesville was elected active vice-president, T. S. Roberts of Jacksonville vice-president and John M. Bell cashier. George C. Marlitt was re-elected assistant cashier. New directors elected are Mr. Faircloth and E. R. Malone, president of the American National Bank of Pensacola.

Mr. Faircloth is now vice-president of the Florida National Bank of Gainesville. Just the time at which he will begin duty in his new position depends entirely upon when his successor is named in Gainesville. He is a man highly spoken of in banking circles and it is believed he will be a potent factor in the Heard National personnel.

J. M. Bell
CASHIER HEARD NATIONAL BANK, JACKSONVILLE, FLA.

T. S. Roberts is president of the Monticello Drug Co. of Jacksonville, and is one of the prominent figures in business circles of Jacksonville and Florida.

The vote to make Mr. Bell cashier was unanimous and it comes as a recognition of merit. Mr. Marlitt's re-election as assistant cashier was a foregone conclusion.

The stockholders expressed themselves as more than pleased with the report of the year's business, a feature

THE NATIONAL EXCHANGE BANK, WHEELING, WEST VIRGINIA

of which is an increase of $1,385,434.13 in deposits over the business of 1914. Since the organization for business a little more than three years ago the Heard National Bank has each year kept up its record of a million increase and it was pointed out at the meeting that much of this time was during years in which business conditions generally were not of the best.

New Orleans

—Announcement of the election of R. S. Hecht as vice-president of the Hibernia Bank and Trust Co. of New Orleans again shows the value of systematic training in banking as followed by the American Institute of Banking.

Only a little over twelve years ago Mr. Hecht started to work in the foreign exchange department of the National Bank of the Republic, Chicago, and later accepted a position with the Commercial National of the same city.

Taking up the Institute course of study, he was one of the first ten in the entire United States to receive the certificate of graduation. The Hibernia Bank and Trust Co., being on the alert for an aggressive and progressive young man to take charge of their foreign exchange department, secured Mr. Hecht's services. In 1913 he was made trust officer of the company in charge of the newly-organized bond department, and has now been advanced to vice-president.

At the Dallas Convention of the American Institute of Banking Mr.

Hecht was elected to the executive council of the Institute and is acknowledged to be the leading man in New Orleans chapter.

He is a lecturer in Tulane University and was in 1915 appointed to the honorary position of Commissioner of Docks, New Orleans.

—In its statement of condition, responding to the Comptroller's call of December 31, 1915, the National Exchange Bank of Wheeling, W. Va., shows total resources of \$4,333,172.94, and deposits of \$2,758,273.80.

—On January 11, 1916, the Henderson National Bank of Henderson, Ky., celebrated its fiftieth anniversary.

—A merger of the Alamo Trust Co. of San Antonio, Tex., with the West Texas Bank and Trust Co. has been effected, according to an announcement in a circular issued to depositors by the officers and directors of the Alamo Trust Co. Under the arrangement, G. H. Albers, vice-president and secretary of the Alamo Trust Co., becomes active vice-president with the consolidated concern.

By this consolidation the West Texas Bank and Trust Co., with resources of more than \$3,000,000, becomes one of the strongest state banks in Texas. The annual stockholders' meeting will not be held until April, when, it is intimated, one or more of the directors in the Alamo Trust Co. will be elected to fill vacancies in the directorate of the West Texas Bank and Trust Co.

WESTERN STATES

Chicago

—Most of Chicago's national and state banks last month held their annual elections, and a number of important changes took place, chief of which was

the retirement of James B. Forgan as president of the First National and First Trust and Savings banks, to become chairman of the board, and the election of Frank O. Wetmore as president of the First National and E. K. Boisot as president of the First Trust and Savings.

William A. Heath retires as president of the Live Stock Exchange National, being succeeded by M. A. Traylor, who has been serving as cashier, and the election of S. Kiddoo, formerly president of the South Dakota Bankers Association, as vice-president of the bank, succeeding G. A. Ryther, resigned, was announced.

John R. Washburn, formerly assistant cashier of the Continental and Commercial National, was elected vice-president of that bank, and James A. Patten was added to the directorate. Messrs. Craddock, McCurrach and Danielson were promoted to the positions of manager of the credit, foreign and transit departments respectively of both the national bank and the trust company.

Orson Smith, whose retirement as president of the Merchants' Loan and Trust already has been announced, has been elected chairman of the board and will be succeeded by Edmund D. Hulbert as president.

William J. Calhoun, former ambassador to China, and Henry J. Evans, a director of the National Biscuit Co., succeed Max Pam and Adolph Uhrlaub as directors of the Central Trust Co.

Robert M. McKinney, cashier, and James M. Hurst, assistant cashier, were promoted to second and third vice-president, respectively at a directors' meeting of the National Bank of the Republic.

Last year William T. Fenton was the only vice-president of the bank. There were five assistant cashiers.

Capital stock of the Union Trust Co. was increased from $1,200,000 to $1,500,000 at a meeting of the directors of that bank. The surplus will be $1,500,000 instead of $1,600,000.

Several changes were made at the Chicago Savings Bank and Trust Co. by transferring officers from one position to another, and three new directors were elected. The three directors are E. L. Beifeld, secretary and treasurer of the Hotel Sherman Co.; A. W. Shaw, president of the A. W. Shaw Co., and G. B. Ogle of the George A. Ogle Co.

The transfers are those of W. T. Bacon, formerly manager of the bond department, who was made vice-president and will continue as head of the bond department; S. B. Hawley and C. N. Fox, who were made assistant managers of that department, the latter leaving his position as assistant secretary, and LeRoy Wilson, who succeeds W. T. Anderson as auditor, while Mr. Anderson goes to the position of assistant cashier.

After organizing the Logan Square Trust and Savings Bank two years ago and serving in the capacity of president since its organization, William C. Regelin has retired to devote his time to real estate.

Since the organization of the bank by Mr. Regelin, its resources have increased to over $750,000, and three other banks were absorbed—the Schulze Savings Bank, the Avondale Savings Bank and the Milwaukee Avenue Savings Bank.

Mr. Regelin will remain one of the largest stockholders of the bank, but the real estate business, in which he has been established for more than twenty years, will occupy his entire time.

—George M. Reynolds, president of the Continental and Commercial National Bank, following his usual custom, has been spending a part of the winter at Pasadena, Cal. Mr. Reynolds was recently ill from an attack of grippe, which developed out of a severe cold; and while his illness was at one time serious, he passed out of danger some days ago and is now well on the way to a complete recovery.

Mr. Reynolds is one of the best-known bankers in the country, and his many friends will rejoice to learn that his speedy return to his usual health is now a certainty.

—Melvin A. Traylor has been elected president of the Live Stock Exchange National Bank of Chicago. Mr. Traylor was born in Breeding, Ky., October 21, 1878, and spent his youth on a farm. When twenty years of age he went to Hillsboro, Tex., where he worked in a

MELVIN A. TRAYLOR
NEWLY ELECTED PRESIDENT OF THE LIVE STOCK EXCHANGE NATIONAL BANK OF CHICAGO

grocery store and studied law at night. In 1901 he was admitted to the bar, and soon thereafter was elected city clerk and later assistant attorney of Hills County, which office he held until 1905.

In 1906 Mr. Traylor began his banking career as cashier of the Bank of Malone, Tex., and after two years of service there went with the Citizens National Bank, Ballinger, Tex., as cashier, and a year later was made vice-president of that institution. In August, 1909, the Citizens National Bank took over the First National Bank and Mr. Traylor became president of the consolidated banks, then capitalized at $200,000. He remained in that office until 1911, when he came north to fill the office of vice-president of the National Stock Yards National Bank of East St. Louis. After three years of service there, he came to Chicago, in September, 1914, as vice-president of the Live Stock Exchange National Bank and president of the newly organized Chicago Cattle Loan Co. On January 11, 1916, he was elected president of the Live Stock Exchange National Bank to succeed W. A. Heath, who became chairman of the board of directors.

Mr. Traylor is a recognized financial authority in the live stock industry and has made numerous addresses throughout the country, discussing live stock

S. T. KIDDOO
VICE-PRESIDENT LIVE STOCK EXCHANGE NATIONAL BANK OF CHICAGO

problems from the banker's viewpoint. He is an able talker and those who have heard him know that the knowledge of his subject has been gained through his long experience as a live stock banker.

S. T. Kiddoo, formerly vice-president and cashier of the Sioux Falls National Bank at Sioux Falls, S. Dak., succeeds G. A. Ryther as vice-president of the Live Stock Exchange National. Mr. Kiddoo, who is a native of Illinois, was born at Joy, where his father, a well-known farmer and fancy stock grower, still resides. He is a graduate of Knox College, Galesburg, where he was prominent in athletics and other activities. Soon after graduation he left for South Dakota, where he engaged in the banking business for about four years before becoming connected with the Sioux Falls institution in 1911. Mr. Kiddoo is prominent in the work of the South Dakota Bankers Association and for the past year has been president of that organization. During his term of office with the Sioux Falls National Bank that institution more than quadrupled its deposits and Mr. Kiddoo brings to the "Live Stock" a wide experience and thorough knowledge of the conditions and requirements of the banks of the Northwest. He is thoroughly experienced in the handling of cattle paper and will be a valuable addition to the personnel of the Live Stock Exchange National.

—At the recent annual meeting of the Continental and Commercial National Bank, John R. Washburn, assistant cashier, received recognition of his faithful and efficient service by election to the vice-presidency of that institution.

Mr. Washburn was born in Marion, Williamson county, Illinois, April 27, 1877. In the year 1895 he entered the employ of the Bank of Marion (now the Marion State Savings Bank), and in March, 1896, came to Chicago to enter the service of the Fort Dearborn National Bank as a messenger. He was advanced in position during the year and on the first of January, 1897, entered the clearing-house department of the Continental National Bank. He was elected assistant cashier of the Continental National Bank January 8, 1907, and continued to hold this office with that institution and its successor, the Continental and Commercial National Bank, until his election to the vice-presidency as above noted. He has advanced in a comparatively short time from a modest position to an important office in one of the very large banks of the United States, his advancement being due wholly to diligence and ability in the discharge of the duties falling upon him, whether they have been large or small. As assistant cashier of the Continental and Commercial National Bank Mr. Washburn has rendered such service that his promotion to be vice-president came to him as a natural and proper reward. His many friends in Chicago and throughout the country are genuinely pleased over his promotion, for they know that it is the result of hard and conscientious work and of admirable personal qualities as well.

—The forty-seventh annual statement of the Union Trust Co. of Chicago shows that at the close of business De-

cember 31, 1915, this institution had total resources of $32,405,864.17 and deposits of $29,338,284.03. On January 11, 1916, this bank had a capital and surplus of $3,000,000. The following table shows the increase of depositors in this bank since 1907:

GROWTH IN NUMBER OF DEPOSITORS

	Commercial	Banks	Savings
1907......	2,024	27	12,513
1908......	2,221	24	13,075
1909......	2,312	28	12,941
1910......	2,648	44	14,171
1911......	2,960	60	15,564
1912......	3,176	84	17,089
1913......	3,457	150	19,817
1914......	3,565	187	22,475
1915......	3,812	206	23,233
1916......	4.071	235	25,520

—At the annual meeting of the board of directors of the National Bank of the Republic of Chicago Robert M. McKinney and James M. Hurst were made vice-presidents and O. H. Swan was elected cashier.

Mr. Hurst was born in New York city and started his banking career with the National Bank of North America of Chicago in 1902. At the time of the absorption of that bank by the Continental National Bank in 1904, Mr. Hurst came to the National Bank of the Republic and was made an assistant cashier in 1908.

Mr. McKinney was born in Nauvoo, Ill., and began working for the National Bank of the Republic January 22, 1892, as country bookkeeper. He was later discount clerk, second assistant cashier, assistant cashier and finally cashier. Prior to coming to the National Bank of the Republic Mr. McKinney was for five years with the National State Bank of Burlington, Iowa.

Mr. Swan was born and brought up in Chicago. In 1887 he began his banking career with the National Bank of America and on November 19, 1894, he came to the National Bank of the Republic as receiving teller. In January, 1903, he was elected to the position of assistant cashier, in which position he served the bank until his election as cashier last month.

—In the annual statement presented to the stockholders of the First National Bank of Chicago, James B. Forgan, formerly president of the bank, said:

"The year just closed has been most unsatisfactory from the standpoint of bank earnings. The reduction in the legal reserve requirements of the national banks authorized by the Federal Reserve Act which became effective November 16, 1914, released from the legal reserves of the national banks over five hundred million dollars of lawful money, which became available to them as a basis for the expansion of banking credits. In this bank over five million dollars was thus released. In an effort to find profitable employment for this money in competition with other banks engaged in similar efforts we have during the year expanded our loans from $94,231,000 to $107,209,000, and during the same period our deposits have increased from $117,092,000 to $154,550,000. Notwithstanding our efforts our idle money in excess of our legal requirements has increased. In January it averaged $6,422,000, while in December it averaged $7,751,000. It reached its lowest point in April, averaging for that month $5,650,000 and its highest point in September when it averaged $12,600,000; while it averaged during the entire year $8,100,000.

"In addition to the large amount released to the national banks through the operation of the Federal Reserve Act there has been an accumulation of legal reserve money resulting from the balance of international trade turning so heavily in this country's favor, brought about by the curtailment of imports and the enormous increase of exports, causing large importations of gold. The stopping of the large expenditures by American travelers in Europe has also resulted in keeping gold in this country. Due to these conditions competition among the banks to keep their money employed became very keen and resulted in establishing open market discount rates on a quite unprofitable basis.

"The effect of these conditions is

shown in the reduction of the earnings of the First National Bank from $2,000,625.77 for last year to $1,536,868.05 for this year, and in those of the First Trust and Savings Bank from $1,306,739.74 for last year to $1,043,483.39 for this year.

"The combined profits of the affiliated banks show net earnings for the year of eight per cent. against 10¾ per cent. last year on the average aggregate capital employed.

"After having made provisions for depreciation and losses, both realized and anticipated, the combined net profits of the two banks for the year are $2,580,351.44. The dividends paid amount to $2,200,000. Notwithstanding the abnormal conditions referred to the earnings of both institutions show a surplus above dividends of $380,351.44."

—In its January trade letter the National City Bank of Chicago said, in response to a number of questions with regard to the outcome of the war.

"The ending of a year which has seen chaotic ruin in Europe and increasing prosperity in the United States would seem to be a good time to try to look ahead another year. Of course, no one can tell when the end of the war will come or forecast, with any certainty, the answers to the foregoing questions. It can do no harm, however, to realize that our "good times" are largely based upon the "worst times" that have ever befallen a large part of the same family to which we belong, and to stop to consider whether our prosperity can last indefinitely when human lives and property are being so lavishly destroyed on the other side of the world."

St. Louis

[*By a Special Correspondent*]

—On January 18 the Third National Bank of St. Louis celebrated the first anniversary of its savings department. To show the growth of this department in the first year of its operations the

following figures were submitted to depositors:

Jan. 18	$53,065.45
Feb. 18	267,931.82
Mar. 18	453,852.42
April 18	586,626.49
May 18	738,999.30
June 18	953,563.49
July 18	1,114,391.29
Aug. 18	1,244,170.02
Sept. 18	1,308,605.35
Oct. 18	1,398,535.16
Nov. 18	1,562,738.40
Dec. 18	1,720,641.79
Jan. 18	1,910,112.79

—The Cass Avenue Bank of St. Louis, Mo., has moved into handsome new quarters at the corner of Cass avenue and Fifteenth street.

The officers of the Cass Avenue Bank are: President, George Bothe; first vice-president, J. F. Hellrung; second vice-president, Otto Aude; cashier, L. E. Dehlendorf; assistant cashier, Ross P. Cuddy.

—At a mass meeting recently held at Temple Israel in St. Louis subscriptions of $16,000 were made within an hour to aid the Jewish sufferers of the European war. John G. Lonsdale, president of the National Bank of Commerce, in subscribing to the fund stated that, while he was not of Jewish birth, as a true Christian he could not refuse such a plea.

St. Paul

—In an article about the First National Bank of St. Paul which appeared in the January issue of the BANKERS MAGAZINE the portraits of Cyrus P. Brown and Edward O. Rice were inadvertently omitted.

Mr. Brown became vice-president of the First National Bank two years ago when he came to St. Paul from Providence, R. I. He has been engaged in the banking business practically all his life, and for some time was head of a big financial institution at Providence. He

Cyrus P. Brown
VICE-PRESIDENT FIRST NATIONAL BANK,
ST. PAUL MINN.

Edward O. Rice
VICE-PRESIDENT FIRST NATIONAL BANK,
ST. PAUL, MINN.

is also a director of the Northwestern Trust Co.

Mr. Rice was elected vice-president December 9, 1913. He also has been in the banking business for some time, although he is one of the youngest bank officials in St. Paul.

Since the publication of this article George H. Wichman has been elected assistant cashier of this institution and George P. Flannery, president of the Northwestern Trust Co., has been made a director.

Mr. Wichman, who has been associated with the First National Bank for more than twelve years, is well-known in Twin City and Northwestern banking circles. He started his career as a bookkeeper and, after a series of promotions, was given charge of the discount department, becoming assistant cashier in January, 1916.

In its statement of condition supplied to the Comptroller on December 31, 1915, the First National Bank announced deposits of $48,356,869 and total resources of $54,131,707.

George H. Wichman
ASSISTANT CASHIER FIRST NATIONAL BANK,
ST. PAUL, MINN.

Detroit

—Under date of December 31, President Emory W. Clark of the First and Old Detroit National Bank, Detroit, Mich., made the following report to the shareholders of the bank:

"We submit, herewith, a statement of the First and Old Detroit National Bank, as of December 31, 1915, together with a review of the year. It has been an unprecedented period in American finance when we have seen the establishment of our new financial system on a firm foundation, during the progress of a great war, which in itself has unsettled the credit situation and changed the course of commerce over the entire world.

"The first three months of 1915 marked the transformation of rates from the high level of the early war period to the low level which continued to prevail to the close of the year.

"While local industry was active during the entire year and new records were made in our clearings, exports and the output of our industries, the demand for money kept pace only in a small degree with our rising deposits. It was therefore with growing difficulty that we maintained our loans on a satisfactory basis and the cash resources of the bank averaged for the year over forty-three per cent. of our deposits which began to rise at the outset and increased at a fairly uniform rate during the entire year.

"Our loans and investments are now $38,322,927.65 as compared with $33,574,932.48 one year ago, an increase of $4,747,995.17 or fourteen per cent. Our deposits are $47,600,767.52 as compared with $40,019,716.86 last year, an increase of $7,581,050.66 or nineteen per cent.

"The bank situation was very much the same over the entire country, especially in the large commercial and industrial centers. Although conditions were generally favorable for earnings at the opening of the year, influences were already at work which foreshadowed high bank reserves and a consequent lowering of rates. Among these influences were the lowering of the re-

quired reserves of the national banks under the new Federal Reserve Act and the unprecedented imports of gold as a result of the growing balance of trade in our favor which as early as February had reached a record figure. The enlarged activity in industry and domestic trade together with the return, on a large scale, of American securities from abroad have not been sufficient to overcome these influences.

"While the policy of this bank in maintaining large cash reserves and our assets in a liquid condition has been more pronounced this year, owing to the world-wide disturbed conditions, and while we have placed a considerable volume of our loans in short-time maturities and at low rates we feel that the bank is the more strongly entrenched as the leading commercial bank in this section of the country.

"We have during the year gradually adjusted ourselves to the prevailing conditions with the result that our earnings over last quarter were in excess of the same period in 1914 and it will continue to be our policy to take a conservative view of the future, caring for the needs of our clients and correspondents and encouraging legitimate commitments but maintaining liberal reserves for the requirements of local industry rather than force our funds into outside markets at the low rates now prevailing.

"The bank has not taken advantage of many of the new opportunities offered by the Federal Reserve Act, such as making advances through acceptances, acting as trustee or establishing a savings department, preferring to observe for a time the activities of other national banks along these lines. This bank, always alert to its opportunities in the broader field of banking, promptly joined with the other large banks of the country in subscribing to the Anglo-French loan. The position which Detroit has attained as the fourth city in the country in the volume of its exports made it clearly our duty to do our full share in financing this trade in which Detroit so largely participated.

"The bank closes the year with its assets in a thoroughly sound and liquid condition, with the largest number of accounts since its organization, with a growing return in the way of earnings and is in a strong position to take advantage of the enlarged opportunities which are before it."

FIRST AND OLD DETROIT NATIONAL BANK, DETROIT, MICHIGAN, DECEMBER 31, 1915

RESOURCES

Loans and discounts	$29,011,314.92	
Less unearned discount	190,114.96	
		$28,821,199.96
U. S. bonds		1,959,400.00
Bonds and securities		7,542,327.69
Real estate		300,000.00
Safe deposit vaults, furniture and fixtures		170,000.00
Customers' liability under letters of credit		173,487.00
Foreign bills purchased		76,409.24

CASH RESOURCES

Due from U. S. Treasurer	371,750.00	
Due from banks	8.589,771.18	
Due from reserve agents	4,998,510.21	
Cash on hand	4,607,900.62	18,567,932.01
		$57,610,755.90

LIABILITIES

Capital stock	$5,000,000.00
Surplus fund	2,500,000.00
Undivided profits, net	202,261.52
Dividend No. 7, payable Jan. 1, 1916	100,000.00
Reserved for accrued interest	54,130.62
Circulation	1,703,700.00
Bond account	200,000.00
Letters of credit	173,487.00
Foreign bills rediscounted	76,409.24
Deposits	47,600,767.52
	$57,610,755.90

Kansas City

—The Southwest Boulevard State Bank has opened its handsome new banking home at Nineteenth and Main streets.

The new bank building has two stories and basement, absolutely fireproof and is in the monumental style

of architecture. The front is of cut stone, the remainder concrete, steel and brick. The building is complete in every particular, with safety deposit vault, storage vault and book vault. There are private rooms for women and also for men. All light is obtained by day through skylights, and by night by indirect lighting. The banking room is set back eighteen feet from the sidewalk line. On one side are the private rooms of the president and cashier, and the cages, on the other the stairway to the second floor. The entrance is guarded by elaborate iron gates. The interior of the bank is decorated in ivory white. A chime clock also is a part of the front decoration.

The Southwest Boulevard State Bank has been particularly successful, having gained more than $125,000 in deposits each year since its organization. The present officers are: W. E. Zahner, president; Wyan Nelson, vice-president; W. J. Berkowitz, vice-president; Charles S. Alves, cashier; J. A. Simeon, assistant cashier. The present deposits of the bank are $700,000. Among the directors are many of the most substantial men of Kansas City.

PACIFIC STATES

San Francisco

—From the January 1 Monthly Letter of the Anglo & London-Paris National Bank is obtained the information about the banks of San Francisco and of the State of California given in the table below.

On December 1 the number of depositors in the Postal Savings Bank of San Francisco, most of whom were foreign born, was 8,006, and their deposits $1,158,033.

The Federal Reserve Bank of this district has not yet become a very active factor in our financial affairs as under the conditions which have existed its services have not been required. At the close of business on December 25, with capital paid in and deposits aggregating $21,828,000 the bank held but $577,000 of rediscounted commercial paper and of bank acceptances but $650,000.

—An important meeting of the executive council of the California Bankers Association was held at the Palace Hotel, San Francisco, January 15, which was attended by all but two members

CAPITAL, SURPLUS AND UNDIVIDED PROFITS

	San Francisco	All California
National banks	$51,642,347.53	$103,663,827.18
State commercial and trust	14,484,284.61	54,414,082.91
Total commercial	$66,126,632.14	$158,077,910.09
Savings banks	17,244,524.69	53,610,181.80
Grand total	$83,371,156.83	$211,688,091.89
Grand total June 20, 1914	81,796,895.78	202,450,481.17

DEPOSITS

	San Francisco	All California
National banks	$111,106,743.14	$278,116,524.80
State commercial and trust	53,119,813.35	143,731,185.25
Total commercial	$164,226,556.49	$421,847,710.05
Savings banks	207,052,120.69	468,594,300.18
Grand total	$371,278,677.18	$890,442,010.23
Grand total June 20, 1914	342,996,023.56	846,772,493.82

Note.—The grand totals of deposits are not comparable, for the total of June 20, 1914, gives individual deposits only, excluding deposits from banks and public treasuries. To show the actual lending power of the banks, all deposits should be included.

of the council. Those in attendance were the following: F. J. Belcher, Jr., chairman, San Diego; George S. Meredith, Oakland; J. Y. Eccleston, Oakland; Frank C. Mortimer, Berkeley; George N. O'Brien, San Francisco; C. W. Bush, Woodland; L. Gundelfinger, Fresno; Jesse B. McCargar, San Francisco; W. D. Longyear, Los Angeles, and F. E. Wadsworth, Yreka. All the officers of the association were present. These are the following: Charles A. Smith, president, Oakland; J. M. Henderson, Jr., vice-president, Sacramento; Frederick H. Colburn, secretary, San Francisco, and George A. Kennedy, treasurer, San Francisco.

Reports were received from the officers and members of the standing committees and action was taken in several important matters. President Smith reported the appointment of the standing committees: Legislative, Taxation, Protective, Insurance, Standardizing Bank Forms, and Agricultural Development and Education. The appointments were unanimously confirmed. John S. Drum is chairman of the Legislative Committee; C. K. McIntosh, chairman of the Committee on Taxation; Dr. C. L. Tisdale, chairman of the Insurance Committee; W. A. Hale, chairman of the Committee on Standardizing Bank Forms; H. C. Carr, chairman of the Committee on Agricultural Development and Education.

This not being a regular legislative year, no report was received from the Legislative Committee or the Committee on Taxation.

Following a recommendation of the Committee on Agricultural Development and Education a subscription to the "Banker-Farmer," the monthly publication of the American Bankers Association Agricultural Commission, for each member of the California Bankers Association, was authorized.

Dr. C. L. Tisdale reported for the Insurance Committee. Its recommendation was adopted by the council, to the effect that the Insurance Committee should, at the next annual convention of the association, submit a definite plan for the writing of fidelity bonds and burglary insurance for the banks in the association. It is not proposed to organize a mutual company, rather to form an insurance department in the association, which may represent standard insurance companies. This is particularly for the benefit of the bankers who do not have time to devote to an exhaustive study of insurance.

The Committee on Standardizing Bank Forms reported that in response to a bulletin recently issued to members there have been received many replies highly commending a plan that was outlined. The substance of the plan is that, without conflicting with any established lines of business, the committee shall enable banks to purchase deposit slips and customers' checks, which are used in large quantities, on attractive terms on accumulation of orders; and moreover, by such co-operation with manufacturing stationers in California, business can be conserved to

California firms which has been sent heretofore to eastern houses.

Reports were received from Groups One and Two of the association, that showed that each Group, since the last convention, has prospered. Mr. Wadsworth, chairman of Group One, who is a member of the executive council, reported that the banks of Northern California were more than satisfied with the benefits accruing to them through the meetings of the Group since the inauguration of the same. Mr. Gundelfinger reported that members of Group Two were enthusiastic. It is likely that other Groups will be organized with the association year.

Secretary Colburn reported concerning association membership and financial condition, also on the headquarters maintained by the California Bankers Association at the meeting of the American Bankers Association at Seattle, Wash. The executive council directed the secretary to have headquarters for the California Bankers Association at Kansas City, Mo., where the American Bankers Association will meet next fall. This will be especially a gracious move, as the president of the American Bankers Association is Mr. James K. Lynch of San Francisco, and this will show that he has an enthusiastic constituency behind him.

Secretary Colburn also reported that the Annotated Edition of the California Bank Act has been cordially received by bankers and attorneys, who recognize it as a most complete and convenient edition.

It was also noted that the office of the association has been removed to 327 Mills Building, from the former rooms in the same building.

The Protective Committee has been active and successful. The report of the committee showed that since the last convention of the association, 34 new cases against criminals acting against member banks have been reported. These cases included 22 forgeries, 6 worthless checks, 2 raised checks, 1 daylight robbery, 1 attempted robbery and 2 swindles. Six old cases, prior to the last convention, have been closed. During the last seven months there have been 17 arrests, 8 convictions with sentences aggregating 72 years in state penitentiaries; 2 men have been placed on probation; 6 await trial, and one man has successfully resisted extradition.

The council voted to accept the invitation from the bankers of Fresno, Cal., to hold the next annual convention at Fresno and the dates were fixed as May 18, 19 and 20, 1916.

San Diego

—As a January first reminder of the service rendered to its depositors, the San Diego Savings Bank published a half page in one of the local papers showing that for the six months ended December 31 the bank had paid to depositors in interest $57,162.43, and that during the past five years it had paid $507,633.65.

On December 31 the deposits were $3,924,640.60, as compared with $3,828,118.29 on October 16, indicating a healthy gain, and it is expected that 1916 will prove an exceedingly prosperous year.

—Speaking of Pacific Coast business conditions, H. S. McKee, president of the First National Bank of Long Beach, Cal., says in a recent trade letter:

"The Pacific Coast, though commencing to feel the stir of activity, still lags. But this merely represents the logical order of events. It is well understood and contains no element of discouragement for those whose turn has not come. It is commonly observed that the Pacific Coast is the last to feel the return of prosperity and also last to part from it. This is because of the very nature of its economic position. Proof of recently increasing activity in our local business is not lacking. The amount of bank clearings for any day is practically nothing but the total amount of

the checks that our customers draw in a day against their bank balances. The checks drawn pretty accurately measure the business transacted. These bank clearings during, for example, the first half of 1915 were twenty per cent. less than during the corresponding period of 1913, which was our record year; but during the months of September and October of 1915, they were only falling twelve per cent. below the corresponding months of 1913, and the trend is steadily upward. Comparing the thirty days of November with the like days of 1913, the falling off is only eight per cent. These and other facts indicate that local business activity is but little, if any, below a fair normal, except to the extent that it is influenced by dullness in real estate and building operations, and in these lines activity is believed to be imminent, because the causes for it are present and are beginning to be felt. The growing activity and rising markets of the East and Middle West are commencing to make it possible, for the first time in several years, for those who so desire, to sell out and move to California. There are many indications of this. For example, there are certain freight forwarding companies who make a specialty of handling shipments of household goods. Inquiries in large volume are now coming in to these companies from people all over the United States about shipping their household effects to California. One of these companies in Los Angeles has received during September 600 of such inquiries; during October they amounted to 850. This early resumption of our usual incoming tide of homeseekers will restore our customary activity in lands, buildings and general development."

Spokane

—In the January news-letter of the Spokane and Eastern Trust Company, R. L. Rutter, vice-president of that institution, makes the following predic-

tion as to business conditions in the Spokane district during the coming year:

"With the lumber market in a strikingly strong position, an unprecedented demand for metals, especially for copper, lead and zinc, a substantial percentage of which is drawn from the mines of the Pacific Northwest, supplementing the 1915 wheat crop, to which the State of Washington alone contributed over 50,000,000 bushels, the most conservative minds are becoming impressed with the importance of the vast new wealth, direct from the soil, which this section of the United States is supplying at the present excellent prices.

"Obviously, to the lot of the manufacturers and distributors of finished products rather than to producers of raw material, will fall the responsibility of solving whatever financial readjustment may take place in the future immediately following the close of European hostilities.

"As an evidence of local money conditions, during the first week of January, 1916, this bank for the first time in its history passed the $10,000,000 mark in deposits with a continuing strong upward tendency while deposits for the corresponding date in 1915 in round numbers were $8,523,000, or an increase of over seventeen per cent. in a twelvemonth.

"We believe the Spokane country has already commenced to share in the most remarkable business growth the entire United States has ever experienced and at the threshold of 1916 faces a most promising epoch for constructive business founded on a renewed nation-wide confidence. Nevertheless, this bank recommends that the little sign, 'Watch Your Step,' hanging above the desk, should not be thrown away."

CANADIAN

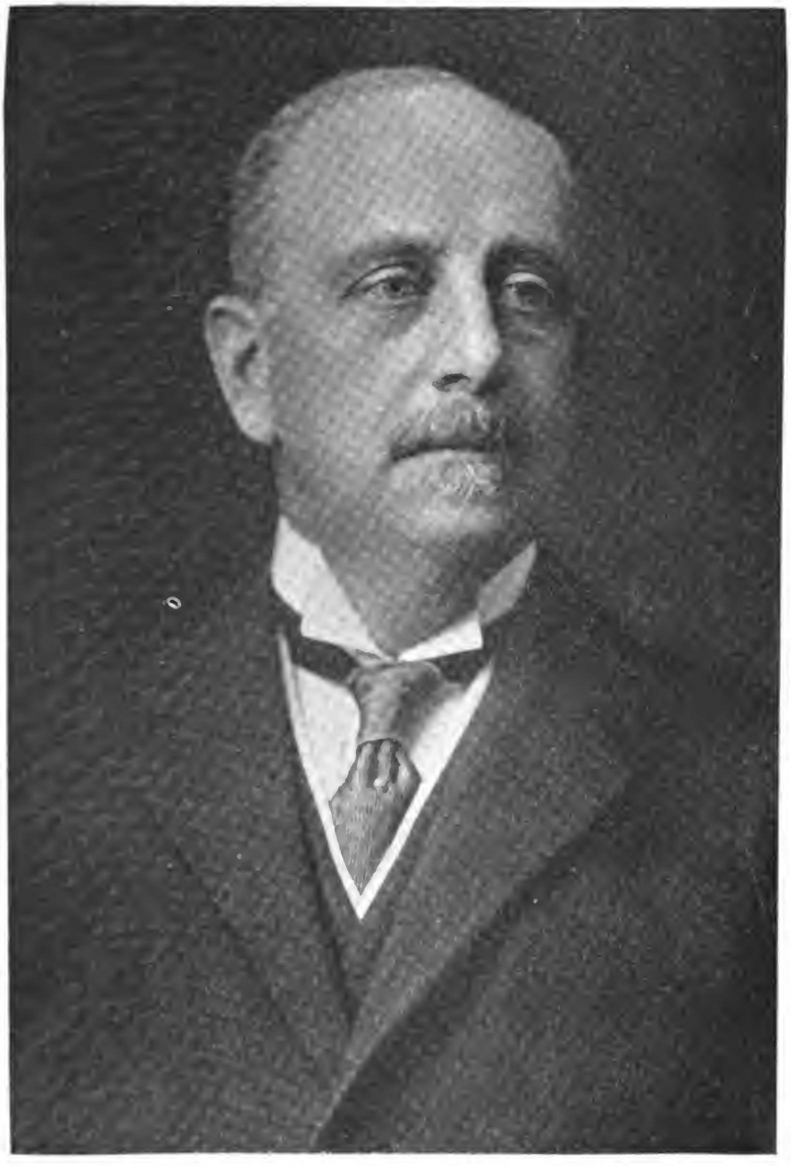
—Sir Herbert Holt, president of the Royal Bank of Canada, announced at the annual meeting of shareholders in Montreal that opportunity would be given stock owners of record January 12 to subscribe to 4,400 shares of new stock at par. The issue would be for the purpose, he said, of rounding out the bank's capital from $11,500,000 to $12,000,000. As Royal Bank shares are quoted around $220 each, the stock offer amounts to a bonus of approximately 4½ per cent.

The bank's deposits at the close of last year amounted to $154,976,327; compared with $11,215,258 on January 1, 1900. The reserve fund has grown from $1,700,000 to $12,560,000 in the fifteen year period and total assets, as displayed by the annual statement, amounted on December 31, 1915, to $198,299,123, against $17,101,513 in 1900.

Sir Herbert said, discussing the year, that business had been much better than was expected last January. "Who would have predicted then," said he, "that within twelve months the Canadian public would subscribe to an internal loan for over $100,000,000, or more than twice the amount asked for? Our astounding recovery is due to a remarkable increase in agricultural production, to prevailing high prices, to war munition orders, and economies practiced since the war began."

Edson L. Pease, general manager, said that more than 400 members of the Royal Bank's staff, including many senior officers, had entered the army. Mr. Pease was appointed to the office of managing director, being succeeded by his assistant, C. E. Neill, as general manager.

—Edson L. Pease, whose appointment as managing director of the Royal Bank of Canada has been announced, was born in 1856. His early training was gained with the Canadian Bank of Commerce, which he entered in 1874. In 1883 he joined the Halifax office of the Merchants Bank of Halifax (now The Royal Bank of Canada), being transferred to Montreal in 1887, when a branch was first opened in that city. He continued as manager in Montreal until 1897, when he was made joint general manager. Three years later, in



E. L. Pease

MANAGING DIRECTOR ROYAL BANK OF CANADA, MONTREAL

1900, he was made general manager; in 1907, a director; in 1908, vice-president, and finally vice-president and managing director in 1916.

The remarkable growth and progress of The Royal Bank of Canada from such small beginnings as are indicated by the statistics below, are to a large extent due to Mr. Pease's enterprise and foresight.

	1900	1915
Capital paid up....	$1,985,000	$11,560,000
Reserve fund	1,700,000	12,560,000
Deposits	11,215,000	154,976,000
Total assets	17,101,000	198,299,000

C. E. Neill, who succeeds Mr. Pease

C. E. Neill
GENERAL MANAGER ROYAL BANK OF CANADA, MONTREAL

as general manager of The Royal Bank of Canada, has been assistant general manager of that bank since 1907. He was born at Fredericton, N. B., in 1873, and entered the bank's service in 1889. In 1897 he was transferred to Vancouver, shortly afterwards taking over the management of the main Vancouver branch. In 1901 he was made supervisor of the bank's branches in British Columbia. Returning east to Montreal, he was appointed successively chief inspector in 1903, assistant general manager in 1907, and general manager in 1916. Mr. Neill has been closely associated with Mr. Pease for a number of years, and this appointment undoubtedly indicates a continuance of the successful policy which has marked the bank's administration in the past.

—The principal grain crops of Canada during 1915 showed the most abundant yield in the history of the Dominion, according to the announcement of the Census and Statistics Office at Ottawa. The increased yield of wheat and oats, it was said, was due to expansion of the acreage by special effort as a result of the European war, as well as to an exceptionally favorable season.

The total value of field crops in 1915 amounted to approximately $800,000,000, comprising grain, $568,161,900; potatoes and sugar beets, $36,739,500, and fodder crops, $192,768,100.

Total yields in bushels for 1915, as

compared with 1914, were as follows: Wheat, 376,303,600, as against 161,-230,000; oats, 520,103,000, as against 313,078,000; barley, 53,331,300, as against 36,201,000; rye, 2,394,100, as against 2,016,800; peas, 3,478,850, as against 3,362,500; beans, 723,400, as against 797,500; buckwheat, 7,865,900, as against 8,626,000; flaxseed, 10,628,-000, as against 71,175,200; mixed grain, 17,623,100, as against 16,382,500, and corn for husking, 14,368,000, as against 13,924,000 bushels.

The quality of the crops, it was said, was superior to 1914, and also superior to the average of the last five years.

Gay Social Season Planned in Bermuda

EVERY season Bermuda becomes more popular as a resort for American bankers and business men. This is due not only to the undisputed healthfulness of the climate, and charm of the scenery, but also because of the extremely pleasant sea voyage which a trip to Bermuda necessarily includes.

This year the number of villas and cottages which have been reserved in the American colony in Bermuda is larger than ever before, thus insuring an enlivened social season to the large numbers of annual winter tourists who make their homes at the larger hotels.

THE S. S. EVANGELINE SAILING UNDER AMERICAN FLAG FROM NEW YORK TO BERMUDA

Horse racing, which has lain dormant for the past two or three years, has been revived this year. The Bermuda Hunt Club has held several race meetings lately on the fine course at Shelly Bay, and it is arranged to have frequent interesting meets there during the coming winter, in which both trotting and pacing events will be included. A number of blooded horses have been imported by members of the club, while several well-known lovers of horses have signified their intention of bringing with them their own stock.

TENNIS TOURNAMENTS IN BERMUDA ON THE FAST CEMENT COURTS ARE A POPULAR ATTRACTION WITH THE MANY TOURISTS

The scenic golf course of the Bermuda Golf Club is in better shape than ever before, and the military golf links are said to be in fine condition. Frequent tennis tournaments are planned

on the fine courts of the principal hotels and in February the Bermuda championship tournaments in men's and women's singles, doubles and mixed doubles will be held. Many prominent American players are attracted to these tournaments in which enlivened interest will be added this year owing to the crack Canadian regiments now stationed at Bermuda.

A number of regattas will be held this season by the numerous yacht clubs in Bermuda and lovers of aquatic sports will find thrills aplenty in these exciting races. The sailors of Bermuda are renowned for their yachtsmenship and are past masters in the intricate art of managing their boats so as to receive every possible advantage of wind and wave.

The overworked banker and "tired business man" will find both rest and recreation in these islands which, in the midst of a particularly disagreeable winter, offer all of the joys and allurements of mid-summer.

Rediscounting the Future

A FORM of borrowing, says the Monthly Letter of the First National Bank of San Diego, Cal., that is growing to amazing proportions is that of loans by life insurance companies to policyholders. Fifteen years ago—at the close of 1900—the principal life insurance companies doing business in New York state reported loans to policyholders of only $70,702,000. The latest complete figures show that thirty-three companies have $657,168,505 so invested today. Although in times of panic or for real necessity, the loan privilege of life policies may be of great value, it should not be resorted to except in case of need. Statistics show that scarcely ten per cent. of such loans are ever repaid in cash, the balance remaining as a charge against the policy, which is often abandoned altogether in consequence of the loan operation. The laws of many states compel insurance companies to make such loans at a fixed interest rate and since there is no time limit set for repayment, the operation often works out against the security of a man's household. In cases where the loan is secured to pay a premium on the policy or to tide over a period of real hardship, the accommodation may be justifiable. But such a loan is different from an ordinary commercial loan and should never be confused with it.

American Real Estate Company's Twenty-Eighth Annual Statement

IN its twenty-eighth annual statement the American Real Estate Co. shows that at the close of business December 31, 1915, this company had total assets of $16,773,361.12. The net valuation of the real estate owned was given as $14,674,775.93. The company has outstanding six per cent. coupon bonds and certificates to the amount of $7,849,-989.44, and six per cent. accumulative bonds and certificates (instalments paid in and interest accrued thereon) to the amount of $5,719,462.20. The company also has outstanding seven per cent. preferred stock to the amount of $1,855.400 and common stock to the amount of $151.100.

James S. Alexander

PRESIDENT NATIONAL BANK OF COMMERCE IN NEW YORK

See page 381

THE
BANKERS MAGAZINE
ELMER H. YOUNGMAN, Editor
SEVENTIETH YEAR MARCH 1916 VOLUME XCII, NO. 3

The Coming Presidential Campaign

THOUGH this MAGAZINE is in no sense partisan, as witnessed by its ferocious attacks on the Federal Reserve Act—a Democratic measure—and the National Reserve Association plan—generally considered as a Republican offspring—yet it cannot fail to take notice of the extreme interest already being shown in the coming Presidential contest. Perhaps in no canvass since Lincoln and Douglas made their notable campaign in Illinois, which was actually a contest for the position of United States Senator, but exercised a powerful influence in making Mr. Lincoln the Republican candidate for President in 1860—has there been such intense interest in political affairs as is now developing. This interest at present is perhaps less concerned with the election than with the nominations.

Following the usual custom though not the universal rule, President Wilson's renomination may be expected. It does not seem likely that Mr. Bryan will contest for the honor, though he might conclude to lead the opposition to the preparedness movement. Speaker Clark, who opposed the President's policy with reference to the repeal of the free tolls provision in the Panama Canal Act, and who has taken a stand in favor of a strong naval policy, and who may be expected to lend support to the Administration's military programme, has not announced his intention of being a candidate, and probably it is a fair inference that he will not oppose the President's renomination.

The practical limitation of choice by the Democratic convention to the one candidate, in accordance with precedent, deprives the contest in that party of much of the interest that would otherwise attach to it. Actually, there is nothing in sight resembling a contest; for, unless something new develops, President Wilson will have a walk-over.

But in the Republican party the situation is quite different. The interest in this organization is accentuated not only by the number

of prospective candidates but by the fact that in 1912 there was a serious breach in the party, the "'Progressive" element withdrawing and polling a larger vote for its Presidential nominee than the Republican party itself. That this breach is liable to be healed seems now a fact generally conceded. Just as in a foreign war party dissensions are hushed, so in a political campaign where really great issues are at stake the factions are pretty apt to reunite. This reunion, in the case of the Republicans and Progressives, seems now a certainty, although it is not forgotten that politics has its surprises. But in the absence of some unforeseeable contingency, President Wilson is apt to face a united Republican party.

In considering the probable nominee of the party now out of power, there are two names that instantly come to mind—Justice Hughes and Colonel Roosevelt. As the toastmaster at a banquet says, "these gentlemen need no introduction to an American audience." Justice Hughes has been heard from but seldom since he left active political life for the Supreme bench, but in the comparatively short time he was prominently before the public he made an impression not easily forgotten. Indeed, it is rather remarkable, with the limited time he spent in public life, and with no extraordinary achievements to his credit, that he should be the one person in the United States today to whom thoughtful Republicans turn as possessing the qualities which would command united and enthusiastic support of all elements in the party. That this is an exceptionally fine tribute to the character of Justice Hughes goes without saying.

It is, in fact, the very exalted character of Mr. Hughes that may eliminate him as a Presidential candidate. When he went on the Supreme bench he apparently made his choice between the field of active politics and that of dignified semi-retirement in the judicial position he now adorns. With all the noble scorn of his nature he would resent the imputation that he could ever be thought capable of using his judicial position to advance his political interests. Indeed, in refusing to allow the use of his name in 1912 he showed his fine sensibility and exalted patriotism in this respect. He does not wish to have any one think that in his case there could possibly be any mingling of high judicial functions and political ambition.

The position of Justice Hughes is probably unique in American political history. Ask the first well-posted Republican you meet, and he will tell you that a whisper, a nod, or a crook of the little finger, indicating his willingness to run, would assure Mr. Hughes the nomination. But will this sign be given? To reject a practically unanimous nomination for President of the United States is asking a great deal of any man. Possibly, if Mr. Hughes has definitely made up his mind not to leave the bench, he will indicate

that fact in some unmistakable manner before the meeting of the Republican convention at Chicago in June. That he will do this is the belief of those most familiar with his character and his previous actions. Should he renounce the Presidential nomination, with a strong possibility of election, he would perform for his country an inestimably patriotic service. The faith of the people in the absolute freedom of the United States Supreme Court from political ambitions and influences would be immeasurably strengthened by such a course; and just now, when the charge is heard—whether on just grounds or not—that an appointment to that court has been made for its political effect, such an example of lofty patriotism would be refreshing. The strongest admirers of Justice Hughes are looking to him with confidence to give this renewed evidence of his great devotion to the integrity of the world's highest court.

It ought to be said, of course, that Mr. Hughes has not done or said anything that could possibly be construed as an intention on his part to permit the use of his name as a candidate for the Presidency. On the contrary, he has taken very prompt and vigorous action in the opposite direction.

Colonel Roosevelt, though at present holding no public office, has not exactly relapsed into silence and oblivion. His personal following is still very large. He early perceived the necessity of preparedness on the part of this country, and was one of the first to arouse interest in the matter. Probably two of the greatest services this remarkable man has performed was in awakening the people from their moral lethargy during his first Presidential campaign and in forcing on their attention the vital nature of the preparedness campaign. He is undoubtedly one of the strongest of Republican Presidential possibilities today.

Elihu Root, one of the ablest of American Secretaries of State, and who is perhaps better fitted than any living man to deal with the numerous and complex foreign problems sure to arise after the close of the war, is available Presidential material, though his age and the defeat of the Constitution in New York State, together with the frequency of the charge that he has been in other years too closely affiliated with corporation interests, probably render his nomination of doubtful wisdom.

Senator Weeks of Massachusetts, an exceedingly able man, has the misfortune to come from a strong Republican section and his previous identification with banking and financial interests, though highly honorable, would perhaps militate against his availability.

Ex-Senator Burton of Ohio has had long experience in the House and Senate, is an economist of reputation, has rendered the country distinguished and faithful service, and comes from a state that has furnished much good Presidential timber.

Senator Cummins of Iowa, Senator Borah of Idaho, and ex-Governor Hadley of Missouri, are among those mentioned, and any one of these gentlemen would, if nominated, make a strong race.

Senator Sherman of Illinois already has his own state pledged to his candidacy with considerable support from other states. He is earnest, honest and aggressive—a man of the plain, simple type, and of wide experience in public affairs.

Possibly the nominee may be someone as yet unheard of—a dark horse—as has been the case in other contests. The country is facing great economic problems, and if a man of the McKinley type should suddenly loom into view, he might prove a dangerous competitor of the other aspirants.

As stated at the outset, and for the reasons given, more attention has been paid to the Republican possibilities than to the Democratic certainty. There seems little doubt that President Wilson will be renominated, and therefore the interest in the Democratic convention at St. Louis, so far as relates to the candidate, is perfunctory—because it lacks the charming element of uncertainty. On the other hand, there is plenty of chance and picturesqueness in the Chicago convention. Will the Republicans and Progressives bury the hatchet? Will Hughes decline? Will Roosevelt sweep the convention by storm? Or will it be Burton, Weeks, Borah, Hadley, Sherman? Or somebody whom no one has yet thought of? These are some of the interesting possibilities.

As to the result of the election, once the nominations are made, who can say? What will be the leading issues? The eternal tariff, the Merchant Marine, the Panama Canal tolls matter, the Federal Reserve Act, the Administration's foreign policy, the Philippines, or something not yet prominent in public discussion? An endeavor to weigh each of these problems would almost certainly result in a partisan bias foreign to the purpose of this article and the character of this MAGAZINE. But an interesting and exciting campaign is ahead. May there be the most votes in the ballot boxes in November for the best man, and may the people of America, after the event is over, work together with fresh energy and determination for the welfare and honor of the country.

ERRONEOUS IDEAS ABOUT FOREIGN TRADE

TRADE wars are already being freely predicted to follow the close of the great armed conflict now going on in Europe, and arrangements looking to the crippling of the trade of this or that belligerent have even been discussed in high govern-

ment circles. Here in the United States many people believe that since the warring nations will largely exhaust themselves for the time being in the struggle for military supremacy, this offers an especially fine opportunity for us permanently to wrest from them their foreign trade. While here and there some temporary advantage may result to American trade from the European conflict, it is doubtful if this gain will be permanent, and in the long run it may turn out a loss. This view was well expressed in a recent address of Hon. George E. Roberts, former Director of the Mint, and now assistant to the president of the National City Bank, New York. He said:

"It is not pleasant to discuss the calamities of others as the source of gains to ourselves, and that is not the light in which I would present the subject. I doubt if in the long run there are any gains, and we will have to manage ourselves extremely well if you do not suffer loss. One of the common complaints against the labor organizations is that they endeavor to restrict production, acting upon the theory that there is only a limited amount of work to be done, and that it is good policy for them to make it go as far and pay as much in wages as possible. It is a mistaken view, and it seems to me that the idea that we will do better in foreign trade with Great Britain and Germany out of it is based upon the same error. It assumes that the amount of work to be done in the world is fixed and limited, whereas the truth is that there is no limit upon the amount of work that may be done, or the amount of wealth that may be created from the resources of nature, and all the world is interested in abundance. The purchasing power of every people is in its own powers of production, and the greater the production of every country the greater the total volume of trade will be, the more every country will have for consumption, and the higher the standard of living will be.

* * * * * * *

"We must recognize that after the war is over all the peoples now engaged in it will be factors in world affairs as before. If they are forced out of one market, they will appear in another; or if they are compelled to sell less they will be obliged to buy less, and all of them have been very good customers of ours. If Germany, for example, is not able to sell abroad she will be lost as a market to other countries.

"If all of the warring countries should exterminate each other, we would be relieved of a lot of competitors and lose the same economic quantity in customers."

Careful observers have not been lacking who have declared the present war to be a trade war, based upon the mistaken assumption to which Mr. Roberts refers. However this may be, the notion seems widely prevalent that the trade of particular countries or territories

is a prize which some one nation can win only by shutting all other nations out. This view would seem to regard the prizes as very few. In other words, that the world is a comparatively small place with only a little trade to be had anyway, and that some one nation can get its share in no other way except by forbidding other nations to enter this restricted area.

Really the chief problem in international trading is to multiply the purchasing power, to elevate the standard of living, and this end comes about not by diminishing the number of buyers or of sellers but by increasing both. Preceding an increased demand for commodities must come a gradually increasing demand for a higher standard of life, and this is fostered by multiplying competitors. There must be also added means for supplying this enlarged demand; that is, greater actual buying power, which presupposes an abundance of things to be sold and an abundance of things to be bought, with a tendency toward reasonableness in price as growing production and improved methods of manufacture and means of distribution warrant.

If current reports are correct one of the latest nations to apply the restrictive policy is Japan in her dealings with China. These reports charge Japan with seizing for herself preferential trading privileges with China, and with the intention of excluding or at least narrowly limiting the other nations in their dealings with that country. Should Japan really pursue this policy it would merely be an imitation of the methods long employed by western nations in establishing "spheres of influence" in the Orient.

But probably the policy is a short-sighted one. Will not the desire and the ability of the Chinese to purchase more goods be aided by a free competition of all the trading nations, and would not Japan derive greater benefit in the long run by this competition? As other nations sell to China, the latter must in turn sell to them, deriving profit from the transaction, increasing the production of the Chinese people and thus making it possible for them to buy more from other countries, Japan included.

It may even be questioned whether tariff duties that go beyond the substantial equalization of conditions of manufacture and sale are of any benefit to a nation. Skill, industry, raw materials, cheap and abundant capital, are the things that count in international trade. The nation possessing these factors together with adaptability to the needs of outside markets need not seek to set up for itself any special privileges which tend to slothfulness and decay—a source of weakness rather than of strength.

No; the real desideratum in foreign trade is not to kill off as many of the inhabitants of other nations as possible, nor even to destroy those nations completely as dangerous rivals. It is rather for

each country to energize and correlate its forces of production and exchange so as to insure the greatest possible output and distribution; to advance the welfare of its own people so that they may be large buyers as well as sellers in the world's marts, and to understand beyond all else that whatever contributes to the impoverishment of the peoples of other lands by so much lessens their ability to buy the goods which manufacturing and trading nations have to sell. Almost unnumbered millions, many of them living in the wealthy and progressive countries, are yet inadequately housed, clothed and fed. To remedy this condition and in so doing find profit for all is a task to which the nations of the world may address themselves afresh when the calamitous shadow now hanging over the world shall have disappeared.

MEXICO'S DIFFICULTY IN OBTAINING LOANS

FOR the economic rehabilitation of Mexico much outside capital will be required both immediately in the shape of cash and over long periods in the shape in which capital is commonly exported. At present the outlook for the investment of capital in that country in either form is not promising. To begin with, the new government—if such it may be styled—is hardly well enough entrenched in power to give adequate assurance of stability of conditions for any length of time. Under existing circumstances, the United States is practically the only country from which a loan could be obtained. While the means for making Mexican loans here are abundant, the disposition is absent. And this is not merely due to the unsettled state of affairs in Mexico, but rather to the conviction developed out of recent experiences that the American Government is lukewarm, to say the least, in extending protection to capital heretofore invested in that country. A new and more vigorous policy will have to be followed before Americans can be persuaded to put much money into Mexico.

On both sides this unfortunate situation is regrettable. Mexico is sadly in need of outside help. The currency is deranged, railways, industrial and mercantile interests, as well as agriculture, are all languishing after the long and bitter contention between the various factions; and, to crown all, the unhappy land is being devastated by famine and plague. Whatever the faults of the Diaz regime, under it the masses of the people appeared contented and happy;

that they were pining away in hopeless misery because denied liberty and the right to acquire land, as the different leaders of the Mexican factions have asserted and some Americans have professed to believe, no one could for a moment imagine who has seen the Mexican people as they are.

Outside military props for any government that may be set up in Mexico are evidently not wanted; and yet it is difficult to see any other remedy for the existing chaos. People in this country differ about our policy toward Mexico, but there is not much doubt that as a result of the successive revolutions American interests have greatly suffered. Has our course been of benefit to Mexico? It does not seem so, although an intelligent answer to the question can not be given unless we are sure how a different policy would have worked out. The recognition of Huerta, intervention and occupation, absolute non-interference—which one of these policies would have been better than that we have pursued? The Mexican situation is one filled with difficulties which even yet, after the long struggle, are probably not ended.

FOREIGN TRADE OF THE UNITED STATES

COMPLETE figures regarding the total of the imports and exports of the United States for the calendar year 1915 reveal some very interesting information regarding our foreign trade; and while the phenomenal exports are attracting the greatest share of attention, the fact that imports during the year were about at the normal level is hardly less remarkable and interesting under the circumstances. In the absence of details showing the character of the imports and exports and the countries to which commodities have gone and from which they have been received, it is not possible to make a full analysis of the year's foreign trade. We know, however, that the exports for 1915—valued at $3,550,961,249—and the excess of exports over imports—$1,763,532,900—are very much greater than in any single previous year. It will prove interesting to make a comparison for recent years:

	Imports.	Exports.	Excess Exports.
1910	$1,562,904,151	$1,866,258,904	$303,354,753
1911	1,532,931,861	2,092,373,141	559,441,280
1912	1,818,073,055	2,399,217,993	581,144,938
1913	1,792,596,480	2,484,018,292	691,421,812
1914	1,789,276,001	2,113,624,050	324,848,049
1915	1,787,428,349	3,550,961,249	1,763,532,900

Although we gained tremendously in our export trade in 1915, imports have not varied materially in the last three years. In 1915

we imported net some $420,000,000 of gold, but in the two preceding years our net exports totaled over $193,000,000. Considering the new obligations we have undertaken in the way of domestic and foreign financing, the inflationary effects of the recent gold imports have probably been unduly emphasized.

Controversy over tariff legislation will no doubt be revived in consequence of the statistics of the foreign trade of the last two years. The theory of the new tariff law was that it was a tariff for revenue, but not for a deficit. Supposedly the failure of the tariff to produce sufficient revenue was because of the falling off in the importation of goods on account of the war. But we now see that there has been no falling off of any consequence. So that the explanation for the special so-called "war" taxes must be sought elsewhere. Doubtless the lack of revenue has been more largely due to an increase in the non-dutiable exports than to a falling off in the export totals.

People differ about a protective tariff, as they do about many other things. But people are substantially agreed that the less obtrusive a tax is the more complacently will it be borne by those who have to pay it. And if the tariff be regarded as a tax, probably it is a less annoying one than the direct imposts laid since the duties were lowered.

The campaign of 1916 promises to be rather heavy and gloomy, but an element of amusement will be injected into it by the explanations put forward to show why, with imports substantially as they were before hostilities in Europe began, the people of the United States have been compelled to pay a "war" tax.

NATIONAL BANK OBJECTS TO REQUIREMENTS OF COMPTROLLER AND FEDERAL RESERVE BOARD

VERY strong objections to certain requirements of the Comptroller of the Currency and the Federal Reserve Board are made in a letter sent out a short time ago to bankers of Group 3 of the Federal Reserve System by McLane Tilton, Jr., president of the First National Bank of Pell City, Ala., and secretary and treasurer of the Alabama Bankers Association. What he has to say is of such general interest that his letters are reproduced below:

To Group 3 Bankers:

"I ask your immediate and careful consideration of the following letter.

"I am led to believe that many Group 2 and 3 banks will thoroughly agree with the facts and conclusions stated. If so, I will be obliged if they will write me at once. If a sufficient number respond I will call a meeting for Chicago at an early date.

"Unless I am badly mistaken, and alone in my views, the time has come when we must present an organized front and fight vigorously in our own welfare.

"In the Comptroller's office and on the Federal Reserve Board there is no man familiar with our conditions and willing to stand for our interests. The American Bankers Association is not likely to do anything. State associations can do little. The Lord helps those who help themselves.

"With proper effort I am sure our just rights will be recognized. If we remain silent, relief cannot be expected."

Following is the letter addressed by Mr. Tilton to the Comptroller:

"Pell City, Ala., Jan. 8, 1916.

"The Comptroller of the Currency:

"Dear Sir:

"Two years ago I stated to a meeting of country bankers at Boston that their welfare was being disregarded in the preparation of the Federal Reserve Act. I also expressed the fear that in its administration a like tendency would be manifested.

"Since then this fear has become a fact to the point that a very serious apprehension exists in the minds of country bankers that they are to be driven out of the Federal Reserve System.

"If this is coming about by design, a protest should be made; if by a lack of information as to conditions that confront us, it is time that some country banker spoke up frankly.

"In what follows it is my purpose to advise you as to facts faced by more than one-third of all national banks. This letter will be published in the financial press and if the response from country bankers is sufficient to warrant it, I will call a meeting of Group 3 banks to go on record in a manner that cannot be misunderstood.

"Your intention to force country banks to charge an interest rate less than the risk demands will, on the one hand, result in many operating at a loss. On the other hand, it will deny to thousands of borrowers the right to obtain money at a rate agreeable to themselves, forcing them to pay a higher than bank rate to private lenders, or a still more exorbitant sum if merchandise credit is obtained from stores. Your purpose, therefore, is in effect a hardship both upon banks and customers which neither can afford.

"The apparent intention of the Federal Reserve Board to force us to clear at par through the Federal Reserve Banks will likewise deny to Group 3 banks a source of revenue that, with many of them,

constitutes a large part of their net earnings. The result of this operation, in the majority of instances, will merely increase the profits of Group 1 banks in the collection centers, which pay this toll now and whose earnings are satisfactory over and above this item of expense.

"If the law permits these things, it should be speedily amended. If the law does not permit them, they should not be done. If done, lawfully or unlawfully, it is the equivalent of driving hundreds of banks out of the system.

"Our directors, upon the receipt of the new forms of report of condition, directed me to respectfully advise you that we were unable to give the data asked for in Subdivision 30. We cannot do it within the five days allowed by law, and we cannot do it at all without engaging an additional bookkeeper, an item of expense the bank cannot afford.

"Since you took office, these forms have steadily increased in the volume and intricacy of data asked for. Very little of it has anything to do with the solvency, successful or lawful operation of banks. This data is as useless as it is difficult to obtain with the accuracy insisted upon. To keep up with such data, day by day, is an utter impossibility. To compile it in five days after notice of call is scarcely less so.

"Country banks have no army of expert employees, ready to be summoned by a push button. Three officers or employees is the rule. More have two only, than four. In the majority of cases they are underpaid and overworked by the daily routine. The size of salaries paid precludes the engaging of experts on the books. We are country banks. Our officers and employees are country men and boys with such experience and ability as is common in the country. They cannot toe the line necessary and proper for large city banks. They ought not to be expected to do so.

"I ask you to picture the situation that presents itself to one of these banks upon receipt of your call. Everybody is busy, many are working far into the night. Each day unlooked for duties, simple courtesies to customers, demand attention. In these circumstances your call comes and in it a subdivision that requires somebody (in my own case) to make 3,000 separate interest calculations on notes made during the past year. Most of these are for odd amounts and for odd maturities: each calculation requires that the journal be compared with the discount register to see if a new paper, or a renewal in full or part. And yet every reasonable purpose intended by this subdivision can be attained, with sufficient accuracy, by the examiner in a few minutes resume of the discount register, or by a general question directed to the bank.

"In all respect I say, because I feel, that such unnecessary and

inquisitorial methods are a hardship upon us almost to the point of being a humiliation. I feel they are contrary to the spirit of free institutions. I know they are impossible for country banks to comply with.

"The records of your office show that I have been active in the matter of proper supervision of banks. The records of the Superintendent of Banks for Alabama show the same thing. Since our bank was organized we have never received a criticism from you or your predecessors as to our condition, nor has any bank examiner made complaint. I ask you to pardon this personal reference. It is made to assure you of our anxiety to fully comply with every reasonable requirement.

"I have a great pride in the fact that we are a national bank. We regard the charter as an asset of value. It would be with extreme reluctance that we would surrender this charter. It would be only because you drive us to this step. What drives us will be found to drive hundreds of others similarly situated.

"These Group 3 banks perform a peculiar and important function in American business. They are the only ones that come in direct contact with farmers. No city bank can render to American farmers the facilities we extend. When we are struck down, the American farmer will suffer with us.

"I indeed hope that you will give earnest consideration to the facts presented. McLane Tilton, Jr."

In this somewhat biting communication Mr. Tilton undoubtedly voices a feeling latent in the minds of many bankers throughout the country who have been waiting a long time for a spokesman. There are bankers who no doubt wonder where the Comptroller's hunger for information is to end. Those who visit the executive offices of banks in these days not infrequently find the officers trying with all their might and main to give the Comptroller the information he asks for, but who find the task a very difficult one. A bank is not organized solely for the purpose of filling up blank forms sent out by over-inquisitive Government officials, and bankers have something else to do besides trying to answer a long string of questions whose meaning it is hard to discern and whose purpose is of doubtful value. It is rare, however, that a banker is found with Mr. Tilton's courage. He virtually refuses some of the information required and intimates that his bank will be reluctantly compelled to quit the national banking system unless there is a modification of the attitude of the Comptroller and of the Federal Reserve Board. One of his statements in the first letter above quoted will bear repetition. He says:

"In the Comptroller's office and on the Federal Reserve Board

there is no man familiar with our conditions and willing to stand for our interests."

Mr. Tilton should remember that the Federal Reserve Act was apparently drawn in accordance with the views of a well-known and highly-reputed foreign banker, entirely familiar with the field of international banking and finance, and that the conditions and requirements of the 25,000 or 30,000 small banks of the United States were possibly overlooked in the eagerness to make the new system conform to the scientific views of the authority referred to respecting international banking and finance.

We can not exactly sympathize with Mr. Tilton in his complaints over the loss of revenue sustained by the banks of his section through having to clear at par through the Federal Reserve Bank. The profit derived from this source, if carefully studied, would probably be found largely illusory, and as exchange charges tend to diminish and to disappear, the customers of banks, and consequently the banks themselves, will be the gainers in the long run. But that is not now the question. The fact is that the Federal Reserve System forcibly takes away the funds of the banks and uses these funds in a way that many banks think unfair; and, as Mr. Tilton says, there is no man in the Comptroller's office or the Federal Reserve Board who knows the country banks' conditions and who is willing to stand for their interests. He might have added that although the member banks furnished all the funds for carrying on the Federal Reserve System, they have substantially no voice in its management, which is absolutely in the power of men appointed by the President of the United States, and that the member banks must stand helplessly by and see their own money used in a way which many of them believed to constitute unfair competition.

And yet the situation is by no means hopeless. If there were more bankers in the United States of the courage of McLane Tilton the evil complained of would be speedily and radically remedied.

EDUCATIONAL WORK OF THE MISSOURI BANKERS ASSOCIATION

EDUCATIONAL facilities to young bankers located outside the larger cities are offered without cost under a plan recently adopted by the Missouri Bankers Association. As these facilities are already available to bank employees in the important cities, the association limits its offer to member banks located outside of Kansas City, St. Louis and St. Joseph. It is proposed to

offer to not more than two men—officers below the rank of cashier, and duly qualified employees—the correspondence course in banking and commercial law as prescribed and furnished by the American Institute of Banking. This offer, of course, is only made to banks that are members of the Missouri Bankers Association. The cost to each student is $10, but the Missouri Bankers Association in order to encourage the younger bank officers and employees to make themselves more efficient, will refund this amount to those who enroll and complete the course in one year.

The action of the organization mentioned is most commendable, and it is hoped the associations of other states will imitate the good example set by Missouri.

Banking practice and banking and commercial law are the matters about which bank employees and junior officers are most directly concerned, and are the subjects as to which they first need to be informed in order to do that efficient work which must precede advance in their profession. It is manifestly proper in seeking to provide educational facilities for young bankers that these subjects should be the first to receive attention, for without this knowledge those employed in banks can not efficiently carry on the work to be done.

It is a most encouraging sign that a state bankers' association has taken up the matter of educating bankers in their duties, and it is perhaps not too much to hope that at no very distant day this primary curriculum may be extended to include banking economics. As the bankers of the country come more thoroughly to comprehend the established principles on which banking and currency legislation should be based, they will assume leadership in their respective communities and powerfully assist in creating among the people sound opinion on these matters. An example of what may be done in this direction was afforded in the campaign of 1896 when the bankers helped in disseminating information that caused the voters to reject the free silver heresy. One may with safety predict that whenever the younger bankers all over the country begin attentively to study the principles of banking, and especially as they have been illustrated in our own history, Government paper "money," as still maintained in the Federal Reserve Act, will be supplanted by a genuine bank credit currency, and our whole banking system reorganized on lines indicated by the development of clearing-house organizations and activities. Here is a vast work yet to be accomplished by the bankers associations of the United States. Its immediate importance to the banks of the country is much less apparent than the course of study proposed by the Missouri Bankers Association, nevertheless it would prove of great value to the banks, because it would result in legislation calculated

to add to their safe and efficient service to the people of the country, thus providing the legitimate means of extending banking usefulness and of increasing banking profits.

CURRENCY PROPOSALS OF THE HONORABLE "CYCLONE" DAVIS

TO those jaded intellects searching for something that will freshen interest in life a reading of the speech delivered in the House of Representatives on January 6 by the Honorable "Cyclone" Davis of Texas is confidently commended. It deals chiefly with the real or fancied wrongs inflicted upon the laboring people—and especially the farmers—by the capitalists and "predatory classes." The title of this remarkable speech is "A Plea for Honest Treatment for the Farmer and Wage Earner; the Farmer Has Been the Patient Burden-Bearer All These Years—He Must Be Freed." And who better qualified than the Texas Congressman to undertake this heroic task? Here is his own charmingly original description of himself:

"I was born in the State of South Carolina, the state that threw the first bombarding shell in the face of the American eagle. My father moved to Texas when I was four years old, and out on the frontier of that frontier state I grew up just to suit myself. Many, many nights the bosom of the earth rocked me to sleep. The broad canopy of a star-lit heaven covered me. The lowing herds, the twittering birds, the howling wolves and the hooting owls were many times the only music of my civilization."

Truly a product of the soil and the fittest representative of the great producing classes. Having thus indisputably established his qualifications to free the farmer, we come to his currency proposals:

"Why should the farmer not have the funds as cheap as the commercial banks? I want some honest man to tell me that the farmer should be outlawed and driven from the mint, and then have the mint grind out millions, yea, billions, for the commercial and creditor class, and force Mr. Farmer to go there for it, thus making him their legal peon.

"We should divide our currency system into three parts, one-third as now through the reserve banks, on the commercial assets of the country; one-third to the states, counties and cities on their bonds for internal improvement; and one-third to the farmer on solvent warehouse receipts and land notes in the purchase or improvement of homes. Some such measure would confer an immeas-

urable blessing on the American people and make our common country a paragon of beauty."

The inquiry propounded by Mr. Davis is a very natural one. He sees the Government printing "money" and handing it out to the banks at a very low rate, and the banks charging the farmer a considerably higher rate. He wants to know why the banks should be thus "favored" by the Government. He does not stop to inquire whether the farmer can offer as good security as the banks do, nor does he see that the added rate the bank charges is in part due to the risk they incur in making the loan. And there is a difference in the security. A bank can get currency from the Government only by pledging collateral, and having a gold reserve of at least forty per cent.; besides, there are other forms of security for these notes which really eliminate the element of risk. It is only fair to say that the "money" which the Government issues to the banks is secured absolutely. But while the banks must give absolute security to the Government for the currency they obtain, they can seldom exact absolute security either from farmers or anyone else, The element of risk is rarely absent from loan transactions.

Yet it is not surprising that Mr. Davis should get his opinions twisted. He sees "money" being manufactured by the Government—why not hand it out to the farmer as well as to the banker? He does not trouble about security, for is not the Government behind every dollar issued? It is quite natural that he should expect the Government to supply the farmer's needs for money at a low rate. Why any rate at all more than enough to cover the cost of engraving and printing the notes? This is the logical result of Government intervention in supplying the country's demands for currency.

But it will be said that Mr. Davis does expect that the currency shall be secured, and in the three ways named in the above quotation; that is, on the commercial assets of the country, on bonds of states, counties and cities and by the solvent warehouse receipts of farmers and land notes in the purchase or improvement of homes. A measure like this, Mr. Davis says, would "make our common country a paragon of beauty."

The farmer, in our judgment, does produce the best security on earth for the country's currency, but not of the kind Mr. Davis has in mind. There is, in our view, no better basis for currency than the evidence of beef, wheat, corn, pork, etc., moving from the producer to the consumer; and the reason that this is superior to bonds, land notes or even warehouse receipts for the purpose named is a very simple one: there is a direct relation of the first-named instruments to the demand for currency, while the supply of bonds, land notes and warehouse receipts has no such relation; and fur-

thermore, the instruments arising from the movement of products to the consumer are in the course of daily payment, while the other instruments are time obligations, some of them representing fixed capital.

Mr. Davis and many others are honestly mistaken in believing that this distinction gives an undue advantage to manufacturers and merchants, but actually this is not so; for as pointed out the farmer does furnish a security for currency than which there is no better. But land is not that security, and whenever this experiment has been tried, as it has been repeatedly in our own and in other countries, it has not produced "a paragon of beauty," but has resulted in disaster and ruin to all concerned.

DEPOSIT GUARANTY IN TEXAS

AN interesting description of the experience of the State of Texas with a law providing for a guaranty fund for depositors in state banks appears in another part of this issue of THE BANKERS MAGAZINE, contributed by Hon. John S. Patterson, Commissioner of Insurance and Banking of the State. In the opinion of the Commissioner the law has been a success, and the figures given would seem to sustain this view. It is shown that the cost of securing the non-interest-bearing and unsecured deposits of the state banks has been about three and one-half cents a year on each share of stock of the par value of $100, or about twenty-one cents for the six years covered by the Commissioner's report.

Perhaps the most striking statement is that the closing of a guaranty fund bank "creates no more of a panic than the closing of a grocery store. Frequently the depositors show absolute indifference in calling for their money after they have been notified that the bank has been closed." This is a very remarkable change from conditions that often immediately supervene in localities where bank depositors are not specially assured of the safety of their funds.

Very likely the success of the guaranty fund plan in Texas has been helped by a carefully-drawn law and wisdom in supervising its operations. In fact the Commissioner says that "A rigid investigation is made before a charter is granted, for the purpose of ascertaining whether or not a bank is needed at that particular point and for the further purpose of determining whether or not the proposed organizers are suitable persons to be placed in control of a banking institution." With this preliminary scrutiny, and a watch-

ful eye on the doings of the banks in operation, the impairment of the guaranty fund is pretty well guarded against.

The matter of guaranteeing or insuring bank deposits is much less agitated now than it was a few years ago, and perhaps many bankers will be surprised to learn that Texas has had such a law in successful operation for six years. A good many bankers, particularly those in control of old, sound and well-established banks, have not regarded the guaranteeing of deposits with favor. They perhaps feel that the reputation for soundness which attaches to their own institutions has been gained as a result of long years of hard and careful work, and it is not pleasant to see an upstart bank come into the field with just as much actual prestige on the score of safety as they have, and without any effort on the part of the new bank. This feeling is accentuated by the thought that the upstart bank may fail, and the old-established bank be called on to yield up part of its earnings to make good its losses.

Yet unquestionably there is something to be said in favor of making every depositor feel that his money is safe, and experience might prove that the advantage which all banks would gain were this feeling universal would far outweigh the consideration above stated. Certainly if there is to be joint responsibility of banks for deposits, there should be some system of inspection that would check unsound banking in its incipiency. That is one reason why clearing-house examination is so valuable; although it does not imply deposit insurance it tends in that direction by nipping bad banking in the bud. Probably this principle as applied in Texas has had much to do in making the guaranty fund a success in that state.

Recently the President of the United States declared that if he failed to change his mind in the face of altered circumstances he would become a back number. Presumably bank presidents will be just as ready to change their minds regarding the guaranty of bank deposits whenever experience proves it a feasible and desirable thing. The working of the law in Texas is interesting and instructive, though hardly conclusive.

MR. WARBURG ON TRADE ACCEPTANCES

IN subsequent pages of this issue of THE BANKERS MAGAZINE are presented the views of Mr. Paul Warburg, a member of the Federal Reserve Board, on trade acceptances. Because of his wide experience in international banking and finance Mr. War-

burg is in a position to speak with authority on all banking problems relating to this particular field. Possibly, however, as a specialist in this line he is disposed to lay undue emphasis on the value of the trade acceptance. Actually our foreign trade is insignificant compared with our domestic commerce, but this does not mean that the former is to be neglected for the latter. Both should be wisely fostered. As a matter of fact, however, our foreign trade will probably be helped most in the long run by that system of banking which is of greatest service to our home trade. Yet the banking facilities for carrying on foreign commerce are in need of improvement, and the trade acceptance will doubtless develop into a serviceable instrument in that field. Mr. Warburg finds its development thus far to be slow, and complains that some of the foreign banks are blocking the way. This probably means that some of the banks are not content to leave this business to the Federal Reserve Banks, but are themselves reaching out for as large a share of it as they can get, which is natural seeing that they must make expenses and earn a dividend on their share capital.

Here is another complaint which Mr. Warburg makes:

"Some banks, I suspect, prefer at this time to make cash advances rather than to grant acceptance credits, because they wish to employ their own funds. That, however, is short-sighted policy. Every effort ought to be bent at this time, both at home and all over the world, to introduce the use of our bankers' acceptances."

And yet it would seem quite the natural thing for a bank to employ its own funds, particularly at this time when these funds are ample, rather than to enter into fresh engagements by granting acceptance credits. In too much of the official propaganda of the Federal Reserve hierarchy crops out the suggestion that banks should borrow and increase their liabilities. Is it necessary in order to maintain the expensive Federal Reserve machinery that the borrowing habit should be promoted among the banks of the country?

It is perhaps only fair to Mr. Warburg to say that he had no such thought in mind. He values the trade acceptance highly as an instrument of our commerce, and would like to see its use developed as rapidly as possible; but perhaps it may be just as well to await the normal course of growth and development without official and artificial stimulus.

Commending the work of the National Credit Men's Association, Mr. Warburg said:

"You have clearly pointed out that the trade acceptance offers the great advantage of converting a non-negotiable book account into a live liquid asset, and you are doing a most valuable work of education when you teach the merchant or manufacturer that, under the present system, having sold his goods, he has to borrow on his

own promissory note, using his own credit, while if he adopted the system of trade acceptances, securing the obligation of the customer purchasing the goods, he would be selling an asset instead of incurring a debt."

Which sounds too much like magic applied to finance. By a mere wave of the wand you transfer a debt into an asset! Give a thing a new name, and its character changes completely; what was before a promissory note—a dull, lumpish thing—becomes a trade acceptance and at once assumes a light and fairy form, endowed with such graces as to be a welcome visitant in every bank.

The change has indeed made the obligation somewhat more immediately available—though it would be easy to exaggerate the extent of this transformation—but has the essential quality been altered? Open account, promissory note, trade acceptance are but different expressions of the credits extended to buyers of goods; and each is, essentially, as good as the buyer himself. But there is a vast difference in the availability of the three forms of obligation, and the open account unquestionably tends toward too much laxness in the business methods of buyers, and in these two respects—availability and as an incentive to more systematic methods—the trade acceptance is of decided advantage; but too much reliance ought not to be placed in it, for its essential character remains unchanged.

Evidently in London the accepting business is confined to foreign banks especially equipped for it and to a few discount houses of large capital. In a paper on "Foreign Reimbursement Credits," by H. E. Evitt, appearing in the January number of the London "Journal of the Institute of Bankers," it is said:

"In granting documentary acceptance credits the foreign banks in London were greatly in advance of their joint-stock bank competitors, and obtained a large amount of this class of business by reason of their willingness. They were further greatly aided by the fact that the joint-stock banks were quite willing to discount their paper while refusing to undertake the actual acceptance business, which yielded far more profit than the turn in the discount rate. * * * The English banks seem resolutely to have set their faces against granting uncovered acceptance credits and insist on the deposit of securities with a ten to twenty per cent. margin, or the provision of actual cash to be placed on deposit until the maturity of the acceptance."

The reluctance of the great London banks to enter upon this business, and the failure of the lure of an attractive profit to change their determination in this respect should make the 7,500 national banks, many of them with slender capital and resources, pause before committing themselves to a policy that may prove dangerous.

INCOME TAX UPHELD

ON January 24 Chief Justice White read the unanimous decision of the United States Supreme Court upholding the constitutionality of the income tax. The importance of the decision is increased by the fact that Congress is seeking for sources of additional revenue in order to aid in carrying out the programme for enlarging the army and navy of the United States. A disposition is manifest to allow those possessing large wealth to bear a conconsiderable share of this cost. The decision helps the Treasury, which would have been in rather an uncomfortable position had it lost the revenue from this source, and with extraordinary expenditures that must be provided for.

Probably in the future an income tax will form a permanent part of the country's fiscal policy, for the public mind seems to have reached the conclusion that this is an effective means of making persons of wealth contribute their due share toward carrying on the burdens of government. In taxing citizens in moderate circumstances it has been the general rule to adhere to Colbert's maxim of getting as large a supply of feathers as possible without unnecessary pain to the goose; but in taxing the rich this maxim has been set aside, and no doubt some of those responsible for the income tax have regarded with rare satisfaction the writhings of the rich as they disgorged a liberal part of their incomes for the enrichment of the public coffers. Mr. Bryan, for example, must take especial delight in observing this discomfiture of the predatory rich.

It is said that the decision referred to opens up practically unlimited possibilities of employing the income tax as a yielder of public revenue. Taxes and super taxes are to be laid, and in some cases even fifty per cent. of income may be required as a contribution to governmental support. The fact is that with a continually increasing tendency toward widening the sphere of the Government's activities, coupled with the necessity for additions to the army and navy, fresh means of providing revenues must be found, and an income tax suggests itself as offering the readiest means of getting the desired funds with the fewest complaints from voters, as the number of persons eligible to pay a large income tax is comparatively small. Now that the decision of the Supreme Court seems to establish an income tax permanently as a revenue-producer, it is hoped that both the law and the administration of it may be made as simple and as equitable as possible.

RIVAL STATE BANKERS ASSOCIATION PROPOSED

REPORTS were current recently of a proposed organization of a new association of bankers in the State of New York to include banks operating under the state law. New York already has one bankers' association whose membership embraces both state and national banks. The trust companies and savings banks also have separate associations of their own. In the reports referred to dissatisfaction with the existing organization was given as the reason for the proposed association. This may or may not be the real reason.

For some time—or at least since the passage of the Federal Reserve Act—there has been indication of some antagonism between the state and national banks of the State of New York—an antagonism which had hardly been noticeable before even if it had any existence. But in conferring trust company powers on national banks and giving these institutions the privileges of doing an acceptance business, the Federal Reserve Act aroused the hostility of the state banks. The New York Legislature came to the rescue of the state banks by granting to them the right to accept. Again, the proposal to clear through the Federal Reserve Bank was met by one of the large trust companies of New York sending out notice that it would receive checks from correspondent banks at par, these banks to maintain a certain balance with the trust company, which would draw interest. This gave the state banks an advantage over the national institutions which get no interest on their balances with the Federal Reserve Bank.

In short, the Federal Reserve Act, which in the sonorous phrase of its sponsors was designed to give the United States a unified banking system into which all the banks of the country would rapidly gravitate, has actually disturbed the harmonious relations existing between the state and national banks and set the two classes of institutions by the ears.

Cognizance of the matter has been taken by the Federal Reserve Board, which has issued the following statement:

"The Board, from the beginning, has taken the attitude that it does not desire to interfere in any way with matters of state legislation or state organization. What the Board is trying to bring about is the co-operation between national and state banks on a fair and equitable basis and the Board regrets, therefore, that there should be felt in any state a disposition to create further cleavage between these banks such as would result from a plan for breaking

up the bankers' association of such state into two separate organizations, one for the national banks and one for state banks. It appears to the Board that a common ground, for both groups of banks should be sought rather than ground for separation.

"'The states, as such, do not give up any of their privileges with respect to their banks by encouraging these banks to join the Federal Reserve system, and the Board has gone to the limit of its powers in keeping intact the powers of state banks which may join the system. The states have the same interest as the National Government in the maintenance of high banking standards. It is to be hoped that wise counsel will prevail, the conviction gradually asserting itself that there should be no feeling of competition between state and National Government which might produce a tendency to legislate downward as to banking standards, or create conditions of uncertainty rather than safety for the mere purpose of making one system more attractive from the profit-making standpoint than the other.

"As stated above, the interest of both is the same; that is, to stand for the highest possible banking standards, and to promote the greatest possible degree of safety and banking efficiency."

This must be taken as a candid statement on the part of the Federal Reserve Board. But does it take an accurate gauge of the situation? And is the Board entirely correct in assuming that the action on the part of the state banks referred to above may produce a tendency to legislate downwards as to banking standards?

The state banking systems, or at least many of them, are older than the national banking system, and of equal soundness as a rule. They have been singularly exempt from political control or influence. In several of the states systems of inspection have been devised that are every bit as good and perhaps superior to that provided by the Federal Government for the national banks. Unfortunately, the Federal Reserve Act gave to a board appointed by the President and largely dominated by the Secretary of the Treasury, and which may at any time—under this Administration or some other—justly lay itself open to the imputation of political favoritism, almost autocratic power over the national banks of the country. This was done under a virtual threat of extinction for these banks unless they submitted to the demands made upon them. Instead of fostering the system of check collections and clearances gradually being developed by the clearing-house associations, and extending the work of clearing-house bank examinations, the Federal Reserve Act, in the opinion of many bankers, ~~tended to~~ check these activities. State banks doing a savings bank business, operating under careful restrictions as to their investments, found themselves in competition with savings departments in national banks

less closely restricted; trust companies found their prerogatives suddenly placed under the threat of serious encroachment. Under these circumstances it could hardly be expected that the spirit of competition between state and national banks which the Federal Reserve Board deplores would not arise.

There are, of course, solid grounds for desiring a greater unification of the diverse banking systems of the country, and such unification may be looked for without compulsory legislation whenever a law shall be passed that is fundamentally sound and that takes due regard of the welfare of the people and the banks.

PREPAREDNESS is now the subject uppermost in the public mind, and THE BANKERS MAGAZINE would like to hear from its readers as to what should be done to make the preparedness movement most effective.

What do you think we ought to do—rouse the spirit of American patriotism, have increased physical training in schools or camps, enlarge the army and navy—to do some or all these things; or would you leave matters as they are?

What, if anything, ought we to do for better economic preparedness?

A concise expression of your views for publication will be appreciated. THE EDITOR.

I BELIEVE there never was given to a people such opportunities as exist for the United States to-day. What we make of these opportunities lies in no hands but our own.

Frank A. Vanderlip

Lending by the Billion

By E. M. PATTERSON, Assistant Professor of Economics, University of Pennsylvania, Philadelphia

THIS is not a prophecy. Prediction in economic and financial matters is always difficult and at the present time especially so. Changes that have occurred in the last eighteen months are so great that anything like an accurate forecast is at present impossible.

An analysis of some of the problems confronting us is, however, practicable. Moreover, it is important. Decisions must be made from day to day, and these decisions will influence for good or for ill our entire economic life. A clear comprehension of all that is involved is vital.

Unfortunately, clarity of statement is hampered by our business terminology. Stock and bond prices, bank reserves, interest rates and exchange quotations bewilder us. Confused by the symbols that are seen we ignore the unseen but more important realities behind them. Understanding of the true issues will be aided by a statement in which these financial terms are so far as possible avoided.

FOR many years prior to 1873 we imported more goods than we exported, paying for the difference chiefly with gold and securities. Such a balance was not only desirable but necessary for the development of the country. Our abundant natural resources meant large supplies of raw materials while our lack of factories and an inability at once to erect them meant a scarcity of the more valuable manufactured articles. Exporting what we had and could spare, and importing what we lacked but needed, we rapidly accumulated an enormous debt. Tangible evidence of this appeared in the sale to Europe of stocks and bonds of American enterprises. Instead of immediate payment, foreigners were willing to take our promises to pay at a later date.

Rapid development of our resources after the Civil War made possible a growth in exports. Increasing annual interest and dividend payments also made larger shipments of goods a necessity. Numerous other factors that need not here be enumerated combined to alter our trade balance and since 1873 we have regularly exported more commodities than we have imported. In recent years we have continued to borrow by selling more stocks and bonds abroad, but annual expenditures of American tourists in Europe, remittances to foreign owners of vessels for carrying our goods, interest and dividend payments abroad, together with other items, have made necessary the large export balances of the last forty years.

The situation in the United States may be compared to that of a capable young farmer who has developed his land by mortgaging it. Year by year he invests the borrowed money, adding to the productivity of his land. As the land rises in value he borrows still more, continuing the process for years, because it seems wiser thus to develop the farm rapidly to its full capacity than to develop it more slowly by investing in it only his own savings.

Just how much the United States owed to Europe in 1914 it is impossible to determine with accuracy. For our

purposes it is unnecessary to do more than to say that careful estimates range from $4,000,000,000 to $6,000,000,000, and that we were probably adding a little each year to this amount. Suddenly we were asked to stop this borrowing and instead to begin lending on a gigantic scale. What does such demand mean? Still ignoring the terminology of the financier, what is really involved?

This may be most clearly shown by referring again to the farmer of our illustration. When a farmer can borrow no more the further improvement of his farm must stop unless he can finance it from his own savings. With borrowed funds he has hired extra laborers to dig ditches, build fences and drain swamps. These efforts have made the land more productive. When he is unable to borrow further this productivity may be sufficiently great to enable him to continue the process of improvement without outside assistance. Obviously it may go on more slowly than if he could continue borrowing, yet it may go on.

But if in addition the farmer is asked to begin paying off his heavy mortgage, his difficulties are increased. Suppose that he is informed that he must settle or lose the market for his goods. Instead of borrowing he must immediately endeavor to cancel his indebtedness. How can it be done?

If the situation is sufficiently urgent, if enough pressure is brought to bear, he will of course make the attempt. He will work harder than ever before. Every acre of land that can be cared for will be brought under cultivation. He will work longer hours than formerly and plan his work more carefully. He will plant only those crops which he believes can be marketed at good prices. He will curtail expenditures in every way possible. Improvements will be postponed indefinitely and even the usual outlay for maintenance may be neglected. He will no longer purchase luxuries for his own pleasure but will perhaps even deny himself many of his usual comforts.

The United States is to-day in a similar situation. For the fiscal year ending June 30, 1915, we had an export balance of $1,042,000,000. For the calendar year 1915 this export balance was $1,800,000,000, although our twelve-month balance is usually no more than $500,000,000 or $600,000,000 and frequently is much less. We have exported nearly $1,500,000,000 more goods than usual. For this extra amount Europe is unable to pay by shipping other goods. All that she has is her mortgage on us, a part or all of which she is willing to have us cancel, and her own new promises which she is willing to give us as long as we are willing to take them.

PRESENTED in this way the essentials of the problem are clear. Can the United States stop borrowing and repay its indebtedness or begin lending? The farmer of our illustration could do so only by increasing the production of his farm or by curtailing his expenditures or by both methods. Only in the same way can the United States cease to borrow and repay her debts or begin to lend. The farmer, as a single individual, is in a relatively simple situation. The elements of his problem are clear and he determines for himself what action he shall take. In the present international situation, however, the problem is much more complex. Our farmers and our manufacturers produce goods which are in many cases sold abroad by an entirely different group of individuals. Securities are bought by our bankers and brokers who hope in most cases that they will be able to pass along their excess holdings to individual investors. These different groups are often acting without reference to each other. Exporters may commit themselves hastily on sales without sufficient investigation into the sources of supply and bankers may purchase securities without being able to judge accurately the capacity of the investing public to digest them.

Still another way of presenting the situation is to observe that European demands are for the products of present industry. The need is for wheat, sugar, meat, guns and explosives. We have no accumulated stock of these commodities and if we meet the demand we must do it through present efforts.

Nor can Europe, as some believe, place the burden of the war on the future. Food and ammunition, to be of service, must be furnished now. Those who produce them now may be willing to have payment delayed in whole or in part, but the goods must appear immediately. Future generations of Europeans may be the ones by whose exertions wealth will be produced for the final payment to us, but the toil of some one to-day must be relied upon to carry on the war.

In any case these conditions are sure to produce certain results. American manufacturers and exporters, attracted by the prospect of large individual profits, have obligated themselves to furnish the needed commodities and the goods have been exported in an immense volume. This demand has created a tremendous industrial activity and all about us there seems to be prosperity. Our problem is evident. We are asked to produce in a twelve-month period about $1,500,000,000 more than usual for export. Can we do this? The farmer of our illustration could do it only by working harder and saving more than ever before. It can be done in no other way by the United States.

What does a survey of the present situation indicate? We are working energetically, even feverishly. Unemployment has decreased and many factories are working overtime. These efforts are resulting in an enlarged output of goods. We have made new records in the production of wheat, oats, barley, rye, sweet potatoes, rice and hay, while we have the second largest crop of corn and tobacco in our history. Records of our output of manufactured goods are not so easily secured, but apparently the same results are being attained in the factories as on the farms. Partly through the generosity of nature and in part by more strenuous labor. we are adding to our output of goods.

There may be considerable difficulty in measuring the increase in productivity, but we shall soon feel the strain if it is not sufficient to meet the demand. Temporarily this may not be noticed. Large quantities of goods are hurriedly exported. Increased employment furnishes enhanced purchasing power to workers who seem to be and are for the time more prosperous. Commodities not exported are sold more readily in the home market. The supplies that we have are more fully and evenly distributed than formerly. Everybody seems more prosperous and good times appear to be at hand.

This kind of prosperity is sure to be present for a time. Even though we are unable to meet the European demand the immediate result is a stimulus to business. Our prosperity may be real and permanent, but activity in our industries is not conclusive proof. Moreover, a mere increase in our productivity may not be enough to meet the enlarged foreign demand. Large savings may also be needed.

IF we are not succeeding in this task of producing and saving where will the evidence of our failure appear? An insufficient supply of commodities will certainly be reflected in a higher price level. Has this increase occurred? That some goods cost more than at the outbreak of the war is common knowledge. Cereals, sugar, dairy products and gasoline have risen in price, but these may be exceptions and more accurate evidence is needed. The most satisfactory way of determining the general course of price movements is by the aid of a device called an index number. These numbers are carefully compiled and kept up-to-date and at any time show clearly the price trend.

While there are many of them to which we might refer, one will suffice. On July 1, 1914, the Bradstreet index number was $8.64; on January 1, 1915, it was $9.14, and by January 1, 1916,

it was $10.91. From the first of these dates to the last the increase was over twenty-six per cent.

This rise is extremely rapid for a period of only eighteen months. In the upward movement from the low point of July, 1904, to December, 1912, the total rise was only twenty-six per cent., or about two-tenths of one per cent. per month. The present increase has been at the rate of 1.4 per cent. per month and for the months of October and November, 1915, has been especially rapid. Of breadstuffs rye is the only commodity to fall in recent weeks. Provisions, fruits, hides, and leather, textiles, metals, oils, naval stores, building materials, chemicals and drugs are all advancing. Coal and coke are not changing while the price of live stock is receding; but even this one case of decline is far from reassuring, as it is stated that the farmers deem it "more profitable to sell their ordinary animals than to feed them high-priced foods."

Any rise or fall in prices may be interpreted in two ways. Economists assert that a rise may be due to a diminution in the supply of goods, or to an increase in the volume of money or credit employed in buying and selling the goods. Our importation during the last year of over $400,000,000 of gold and the great expansion in the loans and deposits of our banks suggest that an increased supply of money may be the cause; but the use to which this larger amount of gold and credit has been put indicates that such a conclusion may be too hasty or at best only partially true. Reference will be made later to this method of utilizing our gold, but in the meantime a few suggestions may be made regarding the other aspect of the question—a shortage of goods.

If our rapidly rising prices are in part or entirely due to an insufficient supply of goods, the possible causes are two in number. One is that we have not increased our output enough to meet an increased demand from abroad. In spite of all our efforts, we have not added sufficiently to our productivity. The other conclusion that may be drawn is that we have greatly increased our domestic consumption. We have not saved, but, on the contrary, are spending more lavishly than ever. That this latter explanation may not be entirely wrong is suggested by many reports of business conditions. Increased domestic sales of automobiles and a record-breaking holiday trade are illustrations. Further ones may be found by referring to almost any daily paper. An insufficient output or an unwillingness to save is apparent.

FURTHER light on the situation is to be found in the problem facing our bankers. It is through them that financial transactions must be carried on. It is only with their assistance that our foreign trade is a possibility. Imports are paid for with drafts purchased from banks as the quickest and most natural way of securing payment for goods sent abroad. In normal times the difficulties presented are slight. The demand for drafts and the supply of drafts just about balance each other and the price bankers will pay and the price at which they will sell are fairly steady. Thus demand drafts on banks in London usually sell in the United States for very little more or less than $4.8665 per pound sterling, their "par" value or the equivalent of the English monetary unit in United States money.

But if this equilibrium between demand and supply is upset difficulties at once arise. If the supply of drafts decreases while the demand expands the price of drafts, or "foreign exchange" as they are called, may rise to a point that imposes a heavy burden on those who must buy drafts in order to make payments abroad. This is what occurred in August and September, 1914. On the other hand, if conditions are reversed and the supply increases while the demand falls off, other problems are presented.

This latter situation is one that has existed for some months. Our increas-

ing exports already mentioned have meant an increase in the supply of foreign exchange and our diminishing imports and a lessened amount of travel abroad have reduced the demand. The resulting fall in quotations which for demand sterling went at one time as low as $4.50, or over seven per cent. below par, placed a great responsibility on our banks. Continued purchase of drafts and lessened sales meant the accumulation at foreign banks of large balances in their favor. Such a condition could not be indefinitely maintained. Just as the high price of exchange in August of 1914 meant a profit to those exporters who had exchange to sell, the present low price means a loss to exporters unless through higher prices to foreign purchasers of their goods or in other ways they can shift the burden. Obviously a point might be reached where the export movement would be lessened or even stopped. Under such circumstances what were the banks to do? A flat refusal to buy more exchange would have checked our exports and curtailed our industrial activity. Even the opportunity to increase our productivity and repay our foreign debt would have been denied us. Such a decision would have worked serious damage.

Imagine the farmer of our illustration under similar circumstances. Unable to continue borrowing he is further confronted with the possibility of being unable to sell his goods. His creditors announce that all they can or will offer to him is a part or all of his cancelled mortgage or some of their own new promises. They have no stock of the goods he needs and no leisure or desire to manufacture any for him. Shall he refuse their offer, discharge his force of men, house his tools and machinery and resign himself to inactivity? Or shall he set to work as energetically as possible to raise as much produce as he can and pay off at least a part of his mortgage?

Probably few of our bankers in 1915 reasoned out the problem in any such fashion as this. The situation was very complex. Each banker doing an international business, however, faced the fact that he was being asked to buy larger and larger amounts of foreign exchange drawn against our exports and that the demand on him for the resale of that exchange was very slight. He might have refused to buy any more exchange, but would such a refusal have been wise?

There was only one other possibility open. Since no one was willing to buy exchange except at a heavy discount and since it seemed dangerous to check our exports, the alternative was to convert our large foreign balance in some other way. This was done and the conversion has taken three forms. One is the importation of gold; the second is the repurchase of large amounts of our stocks and bonds that have been held abroad, and the third is the purchase of newly-issued foreign securities.

From January 1 to December 24, 1915, we imported over $427,000,000 more gold than we exported and the movement still continues. Such a movement is phenomenal. We are a gold-producing country and ordinarily export rather than import the precious metal. Since the Civil War our year of largest net importations was 1898 and the amount was only $141,968,000.

To the amount, then, of over $427,000,000 our foreign credits were cancelled with gold. In the minds of many this movement of the yellow metal seems fortunate. In fact it may prove our undoing. There are just two uses to which such a supply of gold may be put —industrial and monetary. This influx of metal is not being drawn into the arts but is being utilized as money.

One of the most difficult things for most of us to remember is that there is no necessary advantage in an increased importation of gold. At a given time and with a given level of prices only a certain amount of money is needed to perform the necessary business of the country and an increase may be a handicap rather than a help. If these large importations of gold are welcome at all it will be for monetary and banking uses and the demand for these uses is limited.

That we actually are using considerable amounts of this gold is shown by the statements of the condition of our banks. A year ago the banks of New York city held $330,000,000 of cash in their vaults. They now have over $525,000,000. In the same period the money in the possession of other banks throughout the country has shown a similar increase. How are these large reserves being utilized?

We hear much of the large excess reserve held by the banks of New York city but little is said of the fact that this excess is due to a lowered reserve requirement. If the old twenty-five per cent. requirement were now suddenly applied the banks in question would show not a surplus but a deficit. Their holdings of gold have largely increased but their business has expanded even more rapidly. Within a year their loans have increased by nearly a billion dollars and their deposits by over a billion. The enlarged supply of gold is supporting a credit structure that has grown even more rapidly, and at present the excess held by them over legal requirements is $50,000,000 less than six months ago.

An explanation of this involves a reference to the other two forms into which our banks have converted their foreign balances; i. e., the old and new issues of securities which they have acquired. Some of these stocks and bonds have been purchased outright by our national and state banks and trust companies. Others have been secured by private bankers and brokers and by individuals. Some of these acquisitions are connected with speculative stock exchange operations, others have been for permanent investment. The largest part, however, have probably been taken over with the expectation that the securities will within a short time be sold to the public.

In each of these cases, the banks have furnished a considerable part of the funds that made possible the acquisition and the holding of the securities. As already stated, the banks have bought many of them outright. To enormous amounts they have made loans on others that have been deposited as collateral. It is to support these huge operations that much of our enlarged gold supply is being used.

Our commercial banks are the custodians of the liquid funds, the circulating capital of the country. When goods are sold either at home or abroad the proceeds of the sale may be employed by the owner in any one of several ways. He may at once spend them for his personal enjoyment. In this case there is no saving. He may instead invest the funds by buying stocks, bonds or mortgages; that is, he may save them. A third possibility is to deposit them in a bank. If this bank is a savings institution the funds will be invested in securities almost as soon as it could have been done by the depositor; but if the bank is a commercial bank whose liabilities to depositors are subject to payment on demand, this form of investment is hazardous. The depositors may at any time ask for the return of the funds. In order to be ready to meet this demand the bank should invest the funds only in such way that they can be quickly secured if needed. They must be held in a form easily liquidated or turned into cash.

The importance of this seems patent, but in recent months our banks have seen fit to use a large part of their deposits in the purchase of stocks and bonds. In making this decision they have been influenced by several considerations. One has been the decline in the price of foreign exchange. As already observed a failure to correct it would have meant a serious blow to our industrial activity. A second reason has been the low yield available to the banks on investments in commercial paper or other short-time loans. Long-time bonds on the other hand have been available at prices which have meant a much higher yield. A third consideration has been the possibility that the securities thus acquired cheaply may later be sold to advantage, a profit being realized on the rise in price.

Stated differently, our banks have made the choice that might have been

made by their individual depositors. They have used the funds to buy back our securities that have been held for years in Europe, or have loaned the funds to brokers and others for the same purpose, accepting the securities as collateral for the loan. For similar reasons they have in the same manner bought or aided in the purchase of large amounts of foreign bonds.

During the last year there has been sold in the United States newly-issued foreign securities to an amount recently given as $946,030,000. Of this sum Canada sold us $147,030,000, Latin America $44,000,000 and Europe $755,000,000 in which there is included the important $500,000,000 Anglo-French loan. How many of our stocks and bonds have been returned it is not possible to state with exactness, but it is frequently said to be considerably over $1,000,000,000. To this sum additional amounts must be added as time passes for further consignments are arriving from Europe almost daily.

We are thus sending out our goods, the financing of the operations being handled by our bankers who have decided for us that securities shall be taken in return. But this is only the first step. The commercial banks whose assets should be kept liquid in order that they may on demand meet their liabilities can with safety retain only a moderate amount of stocks and bonds. They can escape from their predicament without injury to themselves and to us only in case the American public decides to purchase these securities. If this occurs the banks are thereby again furnished with liquid funds and will be able to meet their depositors' demands.

If this does not occur a serious disaster may follow. Sudden cessation of the European war, the failure of one or two banks, or anything else that would arouse distrust or uncertainty in the community, would result in the withdrawal of bank deposits. Such a movement forces a general liquidation which means in the present case that a huge volume of securities would have to be thrown on the market. We have experienced such catastrophes before, and the prospect is far from pleasing.

THIS statement of the situation is not a prediction. It is merely an analysis. Repayment of one's debts is an advantage and we shall do well to make repayment as rapidly as we can. Perhaps also we shall do well to lend to the people of other countries. In either case we shall have to devote less of our annual output of commodities to the payment of interest on borrowed capital in the future than in the past. We shall be able to retain more for our own uses than ever before.

Yet this is not the same thing as advice to investors to purchase these stocks and bonds. Investment is now, as always, an individual problem, involving an estimate of one's own resources and a critical examination of the securities bought. The only point stressed is that we can not pay off our debt without effort.

Political and economic leaders in England are pointing out that the people of that country must bend every effort in the present crisis to two ends. The first is to secure an increased productivity and the second is to save. From such a conclusion there is no escape if the resources of the country are to be mobilized to the fullest degree. It is conceivable that a victory over the enemy may be gained with only a partial response to the appeal, but just to the extent that the response is made will the victory be hastened.

The United States is not facing such a serious crisis, but the underlying economic principles are the same. We also are being asked to mobilize our resources. Wisely or unwisely we have shipped our goods abroad in an enormous volume. Our bankers are taking in return billions of dollars worth of gold and securities. We have parted with commodities, articles of food and clothing, vehicles and hospital supplies. We have diverted the efforts of thousands of our laborers to the manufacture of guns and ammunition. All of

these things have been sent to Europe.

In return what have we received? Not other food and clothing but pieces of metal and paper which we can not eat and wear and with which we can not build houses. These securities reach us through our banks. A large percentage of them are still with the banks. The movement of them across the ocean continues and hundreds of millions more are now being collected by the British Government. Soon these will be offered either for sale or as collateral for another loan. In response to this demand we have increased somewhat our output of goods, but there are numerous indications that we are not yet saving. Prices are rising and at the present time the advance is increasing in rapidity.

In the meantime our banks have made the decision for us and have taken the securities in exchange for the commodities. We have no choice as to the stocks and bonds already received. Our circulating capital has been sent abroad. In its place are the securities. We can not sell our goods to Europe and still keep them. For a time we can enjoy ourselves in consuming the goods that are left, but there is a limit to that kind of enjoyment. Unless we economize of our own free will an actual scarcity may force economies later.

All of which is merely saying in another way what many of our leading bankers have already said when they have spoken of the dangers of inflation and speculation. We have imported gold that is not needed and securities many of which have not yet been absorbed. These are days when the success of the bond salesman is of importance to all of us.

THOMAS S LIPPY, VICE PRESIDENT
ALEXANDER MYERS, SEC. & TREAS.

E. SHORROCK, PRES. & MGR.

J V A SMITH, CASHIER
R.W. SPRAGUE, ASST. CASHIER

NORTHWEST TRUST & SAFE DEPOSIT CO.

SEATTLE Jan.31,1916

Mr. Elmer H. Youngman,
Editor, Bankers Magazine,
New York, N.Y.

Dear Sir:

I have just gone over the first Number for 1916 of your Magazine, and write to congratulate you upon it.

The vigor of your editorials is quite noticeable, and the various contributions are both interesting and instructive; typographically also, the Magazine does you great credit.

Yours truly,

E Shorrock

ES:B

The Country Clearing-House*

By O. HOWARD WOLFE

IF you had invited me to speak upon the "Country Clearing-House" ten years ago, I suppose I should have complied with your request by telling you about the Boston Clearing-House and its methods of collecting country checks in New England. Perhaps I might have called your attention to that other famous Boston institution of an earlier period—the Suffolk System, which in its day performed the same function with respect to bank notes as the modern so-called country clearing-house accomplishes in the collection of bank checks.

But the more I study this interesting problem of the bank check the more am I convinced that we cannot properly understand the question of its collection unless we go back to the fundamentals. It will not do to take a superficial view of the check and discuss it merely from the standpoint of mechanics and accounting. We must begin with a clear understanding of what the check is; why we use it; what are its proper functions; in what particulars it is affected by and in turn affects present-day banking laws and banking practice.

I believe we shall find it to be a much more important instrument in our economic development than we had imagined. Those of you who may think that modern banking has no frontier, so to speak, to attract the pioneer, the prospector and the dreamer, would do well to study this problem of the bank check. I have only just scratched the surface in seventeen years of experience, supplemented by reading and investigation, but I have come to the conclusion that the "country clearing-house" as we know it, is less than half-way in its possibilities of development. It is a tremendous step forward, but it is not a finality.

VARIOUS METHODS OF MAKING PAYMENT

I HAVE not the inclination nor the ability to deliver an exhaustive economic essay on money and banking,

O. HOWARD WOLFE
ASSISTANT CASHIER PHILADELPHIA NATIONAL BANK

but I would like to direct your attention to a few thoughts which seem to me to be necessary to an intelligent dis-

*Address before Bankers' Ad. Association of Pittsburgh, January 27, 1916.

cussion of our subject. I shall take advantage of the fact that you are bankers, more familiar than I with many phases of check collection and I shall therefore expect you to fill in, out of your own extensive knowledge, the many things which, for lack of time, we must omit.

The check is a negotiable instrument, the purpose of which is to make payment between debtor and creditor. Many bankers, especially those in the "outlying districts," have other ideas as to what the check is for, a fact worth mentioning because it is a serious factor in determining our rate of progress.

There are in all four methods of making payment. First, by barter, the exchange of goods for goods; second, the use of one commodity—such as gold—as a medium of exchange, that is, money; third, by individual credit between buyer and seller—debtor and creditor—whereby each keeps a book account or record, money being used only to settle any balance that may result from the offset of debit with credit; fourth, the use of banking credit. Under this latter method we accumulate our credits into one common fund, the bank, upon which we draw to liquidate our debts. Banking seeks to avoid the use of money as a medium of exchange. Accepted theories to the contrary notwithstanding, I believe we are progressing steadily toward a period in economic history when, through banking, we will no longer use money as a basis of credit. Although our credit transactions may always be in terms of money, the final basis of credit or unit of value will be man's productive ability. We see indications of this trend already in some of the socialistic theories of money; in the organization of corporations having capital stock without par value; and, if you please, in the tremendous development of the bank check. We need not expect that in reaching this economic utopia we will escape the errors, the pitfalls and the false theories that have beset us in the centuries of struggle to secure a sound monetary system.

I think we can all agree that the purpose of the check is to make payment. The next thought, which may cause some slight difference of opinion, is that the check makes payment not by transferring money from A to B, but by transferring a part of A's bank credit to the bank credit of B. It is obvious that as we gradually get away from the use of money the more do we use credit, and the less often we actually "cash" checks, the less money do we need. It is important that this bank credit shall be based upon some tangible reserve, and that ultimate settlement shall be in terms of reserve, and not in terms of credit.

But the fact remains that the check is an instrument used to express the will of the maker to transfer the credit which is his to the credit of another. It is credit and not money which is thus transferred. Nor could it be otherwise for we have approximately eighteen billions of bank credits, or deposits, and less than four billions of money, a large part of which must remain undisturbed as reserve. Statistics show that more than ninety per cent. of all transactions are in terms of credit instruments—bank checks—and less than ten per cent. are in terms of cash. There are those who say that the Federal Reserve System errs in making any provision for the collection of checks, but will they deny that we pay a million dollars with bank checks for every ten thousand dollars we pay with Federal Reserve notes? Granted that it is unfortunate that legislation was necessary to direct us as bankers to keep our check-clearing "house in order," I fail to see how the drafters of the act could do otherwise than to provide for the check, on the proper use of which so much of our reserve and note issue depends. That the Reserve System is embarrassed on account of the check clearing clauses is not due to the act, but to certain conditions which the act seeks to remedy and which must sooner or later be remedied. It is true that we face a condition and not a theory; but we know that the conditions are in many respects wrong, whereas the theory has been proven to be right every

time we have had a financial stringency in this country.

COUNTRY CLEARING-HOUSE MISNAMED

THE country clearing-house, as a matter of fact, is not a clearing-house at all in the strict meaning of the term. There is an important distinction between the process of clearing checks and the process of collecting them. The operation of the clearing principle is one of the most important functions of banking and consists in the offsetting of debits with credits. Member checks are cleared in our local clearing-houses but non-member checks are collected. So also in Boston, New York, Richmond and other cities—the city checks are cleared through the clearing-house, the country checks are collected. The clearing-house becomes an agent of all the members and operates as one bank acting for all. The process is precisely the same as each of your banks in Pittsburgh employs in receiving out-of-town checks from your depositors, lumping them together and making collection. So also the country clearing-house accepts checks from its "depositors," the member banks, and in making collection it is able to reduce the cost exactly as you are able to serve your depositors in making it unnecessary for them to send a messenger to the counter of every bank upon which they receive checks in the day's business. You save an enormous amount of time and expense both for your depositor and for the banks upon which the checks are drawn. Similarly, and to an even greater degree, the country clearing-house can and does save time and money for both country and city banks. I make this statement not as an opinion but as a fact. If it is a fact, you may well ask why it is that all banks do not adopt the country clearing-house method of handling checks at once? Why has it been thought necessary to put into the Federal Reserve Act legislation looking toward this better method of collecting checks?

Because, gentlemen, argument and reason will never induce the gainers to give up any profitable practice, no matter how much right or justice there may be on the side of the losers. If it were otherwise, we would need no law, police or jails. Our lives and property would be safe under the tender care of the pulpit, press and forum.

And there are gainers as well as losers under our present check collection system. I am not referring to the giving and taking of legitimate profit. I am not prepared to believe that proper exchange charges—which by the way were better called collection charges—can be done away with. But I do say that millions of dollars are thrown away every year that might be saved. I can illustrate my point by the example furnished us in the New York Clearing-House. In the spring of 1899, that association adopted certain rules, which included an arbitrary exchange rate applied to all depositors. In effect those rules said to the depositors of New York banks: "The checks you deposit are costly to collect. For mutual convenience we give you immediate credit, but it takes several days for us to receive returns, especially since we sometimes route these items a thousand miles out of the way to escape exorbitant exchange charges. These charges grieve us, but the country bankers who exact them wherewith to pay dividends, keep nice balances in New York, and we don't care to offend them unduly. Therefore, we pass the charge along to you with a little bit added; and if you don't like it, try collecting the checks yourselves."

Now note the difference. Last year, the New York Clearing-House installed a country clearing-house—the best so far organized in this country, combining all the good features of Boston and London with certain original improvements. It was notice to the depositors of New York that their banks realized the wisdom of co-operating

with depositor and country bank in eliminating unnecessary costs which heretofore the defenseless public had been paying. And it furthermore gave the broad-minded and far-seeing country banker his long-hoped-for opportunity of separating himself publicly from his more selfish and penny-shaving brother.

CLEARING COUNTRY CHECKS THROUGH FEDERAL RESERVE BANKS

IF country checks can be collected advantageously through clearing-houses, can we go a step further, as the Reserve Act proposes, and actually clear them through the Reserve banks? Yes and no to that question. The first stumbling-block is the non-member check. With less than one-third of the banks of the country members of the system, a complete clearing plan seems impracticable. It might be said, however, that even if we could clear one-third of the checks it would be better than clearing none at all. That is true, but it would work a hardship rather than a benefit on many country banks, because they would be able to send only one-half, let us say, of all checks deposited with them to the Reserve bank, the rest being on non-members. On the other hand, all checks on themselves could be cleared, which would have a tendency to produce a continual debit against them at the Reserve bank.

It is hardly fair to expect such members to bear this drain while we are beguiling state banks to enter the reserve system. The difficulty could be partly overcome by the Reserve banks accepting checks on other districts from their members and both member and non-member checks payable in the twelve Federal Reserve cities.

One amendment, in my opinion, is desirable before the Reserve Act can be made popular if not also practicable as far as its check-clearing provisions are concerned. That is, member banks should be permitted to carry their reserve either in their vaults or with the Reserve banks. It would make no difference to them, then, whether checks are presented for payment against vault reserve or bank reserve. I see no particular unsoundness in this suggestion, especially since no other great nation has ever found it necessary to fix any legal reserve whatever.

There has been much discussion as to the right of the Reserve banks to debit checks against members' balances without notice or consent. The Attorney-General of the United States is now preparing an opinion on this subject. It may be imprudent for me to express myself at this time, but it is my opinion that the Reserve banks do have this right. Dispute arises because the matter is not clearly understood by most bankers.

As a matter of fact the Reserve banks do not debit the members' balances with the checks. Let us examine the Act. We find that the Reserve banks may receive certain checks on deposit; that if they elect to receive them, then they must receive them at par. Having accepted checks on deposit, we may fairly say that the Reserve banks must conform to banking customs and usages in collecting these checks which have been deposited. That is, they must make agreements for their collection and remittance. But the Act goes further. It states that the Reserve Board may require the Reserve banks to act as clearing-houses for their members. This clause proposes a totally different relation between the Reserve banks and their members. As soon as the Reserve Board directs a Reserve bank to act as a clearing-house (as is the case with the Kansas City Bank, I believe,) then the members send checks not for deposit but for clearing.

Against the credit thus established the Reserve bank applies the offsetting debit consisting of checks on their members. There will result debit and credit balances. The credits are put to the credit of the ledger balance of the creditor members, and the debit bal-

ances are similarly applied to the ledger balances of the debtor members. Bear in mind that the clearing-house (in this case the Reserve bank) acts as agent only in the settlement of balances. It pays the creditors not for itself but for the debtors. It therefore has the legal right to apply the doctrine of offset, using the ledger balance of the debtor members for this purpose.

ADVANTAGES OF THE COUNTRY CLEARING-HOUSE

TO return to the country clearing-house. The first advantage obtained through its operation is that of the saving of bookkeeping, postage, stationery, etc. You are bankers who need no diagram from me to show you how this benefit results inevitably. Only a week ago a banker told me that since the country clearing-house was established in his city his bank has been able to reduce its postage costs alone six dollars a day. His total saving he estimated at $360 per month. Do not let this very significant fact escape you. This money is actually saved; it does not mean the cost is shifted somewhere else. The bigger the bank, the greater the saving.

It is an amusing thing to "sit in" at a banker-farmer meeting, and hear an oratorical banker get up and tell the farmers how to eliminate waste, and conserve their wealth through scientific farming. I wish I were rich enough to be a farmer. I'd attend one of those meetings and ask Mr. Banker some embarrassing questions about the scientific collection of checks.

As for exchange charges. Let me say first that the country clearing-house is the most effective means of meeting the abuse of the exchange charge. If those bankers who so ably defend exchange charges would only keep it clear in their minds that it is the abuses we seek to correct and not the just and proper charges, perhaps their arguments would not be so easy to refute.

As it stands, I have yet to run up against a champion of the arbitrary exchange charge—say of one-tenth of one per cent.—whose points are not all weak and untenable. The two most formidable-appearing arguments I have heard recently were advanced by a very able banker, a good friend of mine from the South. He compared exchange charges with freight rates. In the first place, remember that it is credit and not money that is transferred. The shipment of money seldom enters into the calculation, and with a proper use of the twelve exchange centers we now have it will enter in less than ever through the operation of the gold settlement fund at Washington, as I shall show you later.

But let us admit for argument's sake that exchange rates are freight charges for the transfer of money. Would our friend agree to one arbitrary freight rate for a shipment from Mississippi to Massachusetts, and insist upon another rate, or better, no charge at all, for a shipment from Massachusetts to Mississippi?

The next argument requires some courage to refute. Our friend with infinite patience and scrupulous accuracy, which does him credit, collected statistics to show that high-exchange charging banks need the money to meet expenses. I can respect that argument. It is so honest and obviously true. But a part of those expenses consists of interest on balances at 3½ per cent. and four per cent. Do you see how it works? Buy balances with excessive interest and then pay the interest with the exchange on checks drawn against those balances. Then blame it all on competition. What shall we say of those bankers who threatened to destroy absolutely that strictly American banking convenience, the bank check, by making of it a sight draft on the drawer to prevent any reduction in excessive exchange charges? We are told that if the exchange charge should be reduced, they would have to go out of business. That would indeed be unfor-

tunate, but we must remember that public stage-line operators and owners held mass meetings to protest against the building of railroads. There were even riots in some sections of the country but the railroads were built, and they have since become so efficient in cutting down time and distance that it is getting hard to keep checks afloat long enough to make them good before they get home.

SOME PERTINENT POINTS ABOUT CHECKS

WE could go on discussing exchange charges for several hours, if we had the time, without exhausting the subject whatever might be said of the speaker and the audience. So also with bank checks and the possibilities of the development both in their use by the public and their collection by the banks. Just to give you an idea of the breadth of the subject, let me mention a few of the points that would prove interesting. I shall not try to place them in the order of their importance, but just as they occur to me. Here are some:

The proper size and form of checks, and the use of standard colors to classify them as to the sections of the country in which they are payable.

Better protection as to printing, making it impossible to secure them without an order from a bank upon a licensed printer.

Limiting by law the number of endorsements.

The adoption of the giro conto system of Germany as between banks or between bank depositors within limited areas, such as the Federal Reserve Districts.

There are many others that might be mentioned.

As for country clearing-houses, the best-posted thinkers have long believed it possible, in fact quite probable, that all checks can and should be so handled no matter where payable. This would mean the establishment of these agencies in every important center, the clearing-houses to establish reciprocal relations with each other. If every bank were a member of the Federal Reserve System there is no reason why the Reserve Banks could not take over this function for their members as in fact the law contemplates.

Through the gold settlement fund at Washington settlement between the various centers becomes a matter of book entries. In short, we can now make settlement between the different sections of the country by the operation of the clearing principle. Little currency need ever be transferred from one place to another even in the settlement of balances. Of course there will always be a certain movement in one direction and then another; but as we come to use checks more and cash less, the reserve gold stock of the nation can rest in one place as a part of it does today in the settlement fund of the twelve Reserve banks, while the credit which is built upon that reserve can be moved as it is needed. To move cash requires railroads, armed guards, insurance policies, tellers, clerks and, above all, time. To move credit we require only scientific banking and the telegraph.

MAKE thrift fashionable once more. Restore this normal attribute of respectable independence to its rightful place in the esteem of our world of society as well as business.

—"Paragraphs on Thrift."

Massachusetts Farmlands Bank

UNDER the Massachusetts legislative act of 1915 the first land bank in New England has been incorporated in that state. By the provisions of this act farmland banks may be incorporated with capital (called the land reserve fund) of not less than $50,000 nor more than $500,000, of which not more than 10 per cent. may be held by one person. To provide funds for loans farmland bonds may be issued in series, no series to be issued for an aggregate sum of less than $10,000 nor more than ninety-five per cent. of the amount of the mortgages against which it is issued. Bonds may be issued in denominations of $50 or any multiple thereof, but not exceeding $1,000. The interest is fixed by the directors, but may not exceed five per cent.

The safety of the bonds is assured by the fact that they are secured by the first mortgage notes that are held as collateral for each series of bonds. The notes in turn are secured by first mortgages on farms in varying locations, each farm being worth at least double the amount of the loan. Each series of bonds is to be five per cent. less than the aggregate of the mortgages which secure it and the bonds are further secured by the land reserve fund (paid-up capital) and the surplus. The bonds are exempt from state and local taxation, except legacy and succession taxes.

The marketability of the bonds is provided for by making them legal investments for any savings bank or trust company to an amount not exceeding one-fifth of their deposits; for trust funds and estates under the jurisdiction of or administered by any of the courts of the commonwealth; for certain insurance companies; for surplus funds of co-operative banks in addition to authorized investments, and for the sinking funds of the commonwealth or of any county, city or town thereof.

The banks are to be under the supervision of the State Bank Commissioner, who must approve all investments, other than mortgages upon farm lands and bonds and notes legal as savings bank investments.

The rate of interest on mortgages shall in no event be more than six per cent. but an additional charge of not exceeding one per cent. may be made to the borrower, to be applied to the cost of administering the affairs of the bank.

Upon loans for a period of more than five years amortization payments must be made, with the interest, sufficient to pay the principal in full at maturity. Fines may be imposed upon borrowers for failure to make payments promptly.

Dividends may be declared from time to time out of the profits of the bank, but no dividend shall be declared unless the combined amount of the land reserve and surplus funds is equal to five per cent. of the par value of the bonds outstanding at the time the dividend is declared. No dividend shall be declared exceeding six per cent. per annum upon the par value of the land reserve certificates outstanding, except as specially provided. Net earnings in excess of the dividend declared shall annually be carried to surplus until the surplus fund equals twenty-five per cent. of the land reserve fund. Dividends shall be cumulative only after the surplus fund shall have been established and maintained equal to twenty-five per cent. of the land reserve fund. Any profit not required to maintain the land reserve and surplus funds, and to pay cumulative dividends not exceeding six per cent. per annum, may be carried in amount not exceeding fifty per cent. to surplus until the surplus fund shall equal the

land reserve fund, and any amount not carried to surplus shall be annually divided in equal shares of which one-half shall be placed to the credit of the borrowers in amounts in proportion to their loans unpaid at the time of such distribution, and the remaining half shall be paid as an extra dividend upon the outstanding land reserve certificates.

The first bank to be incorporated under this act will be known as the Massachusetts Farmland Bank and will be located in Springfield, where the Chicopee National Bank has tendered accommodations for the first year free of charge. The capital or land reserve fund of the new institution will be $50,000, with a paid-in surplus of $12,500.

While it is expected that the stock will pay a modest dividend, the bank will serve a highly useful purpose in the community, and it is hoped that these banks eventually may do as much for Massachusetts agriculture as similar efforts in Denmark, Germany, France and other countries have accomplished during the past twenty-five to one hundred years or longer.

What Saving Means

THE term "saving" implies, says the London "Bankers Magazine," (1) the production of more capital than is being consumed, and therefore (2) an increase of capital and productive power; (3) the power to save, and (4) the will to save; (5) in the case of persons with limited incomes, a choice between the present and the future, which involves present sacrifice.

Spending implies (1) the satisfaction of present needs or desires, and (2) a demand for labor and the products of labor, and therefore (3) a stimulus to industrial production. The treasured hoard of the miser and the surplus income of the continually overworked individual are not true saving. The former adds nothing to national productive power, and does not contribute to the economic well-being of the community. The latter is drawing on his reserves of strength and impairing his future earning power.

No useful purpose can be served by contrasting saving and spending as necessarily opposed on all points, and as though one were essentially virtuous and the other necessarily to be condemned. The ultimate results to be achieved must be borne in mind, and only by a judicious blending of these two complementary economic virtues (either of which may, if pushed to extremes, become a vice) can national capital and productive power be increased. Nations can neither "live by taking in each other's washing," nor can a healthy state of industry be promoted by rigidly limiting expenditure to articles of necessity. Expenditure may be on articles which are regarded as "consumption capital," such as education, sanitation, wholesome recreation, etc. Up to a point such outlay is productive and profitable. Expenditure on luxuries for merely present pleasure is economically unprofitable.

Thus the actual true savings of a nation are measured by the increased productive power, and not merely by the (perhaps temporary) surplus of income over expenditure. Such increase is derived as much from the direction given to industry by expenditures as from the actual degree of thrift which is individually practised.

Texas Depositors' Guaranty Fund

Six Years of Its Operation and Effect

By HON. JOHN S. PATTERSON. Commissioner of Insurance and Banking of the State of Texas

THE Depositors' Guaranty Fund was created for, and is the property of, the state banks for the benefit of their depositors. It now has been in operation in Texas for six years. It will be recalled that the passage of this law by the Legislature met with serious opposition, mainly by the national banks, through fear of losing their deposits. While the effect of the law has tended to increase the deposits of the state banks, the increase has come, not from the national banks, but from buried funds of timid depositors, and largely from our foreign citizenship, who, not understanding our institutions, lack confidence in them. Comparative figures of the date when the law was enacted with those of the present will justify the statement that national banks receive directly a fair proportion of the money brought into circulation by this law, and indirectly hold large amounts of such deposits as reserve agents for state banks.

In all state banks which have accepted its provisions, the non-interest-bearing and unsecured deposits are protected by and paid from this fund in the event of a failure of the bank. These banks are known as "guaranty fund banks." All state banks not adopting the guaranty fund plan are required to execute a bond, or other security, equal to the amount of their capital stock, and such banks are known as "guaranty bond banks." Out of the 836 state banks now in existence, 780 have adopted the guaranty fund plan, while fifty-six have adopted the guaranty bond plan. Twelve of the fifty-six are trust companies and do not transact a commercial banking business. Only two banks organized within the last three years have adopted the guaranty bond plan. Within the last month three banks which adopted the guaranty bond plan at date of organization have applied to this department for a surrender of that right and the adoption of the guaranty fund plan. It is therefore quite evident that the guaranty fund plan is more acceptable to the state banks of Texas than the guaranty bond plan.

HOW THE FUND IS CREATED

THE guaranty fund is created by an annual assessment on the guaranty banks of one-quarter of one per cent. of their daily average deposits. Twenty-five per cent. of each assessment is deposited with the State Treasurer at Austin and the remaining seventy-five per cent. is deposited with each bank to the credit of the State Banking Board, subject to call at any time for the payment of depositors of a failed bank. The law provides that when the guaranty fund reaches two millions of dollars the assessments will be discontinued except when necessary to supplement withdrawals for the purpose of paying losses. The sum total of the amount collected from the banks for the guaranty fund since January 1, 1910, when the law became effective, is $1,339,231.18. Out of this amount there has been paid to depositors in state banks the sum of $212,000, leaving in the guaranty fund at present the sum of $1,127,231.18. This amount is imme-

diately available for the payment of all non-interest-bearing and unsecured deposits in any failed bank which has adopted the guaranty fund plan. While there has been paid from the guaranty fund to depositors in failed banks since the law became effective the sum of $212,000, there has been collected from the assets of the failed banks and returned to the guaranty fund the sum of $125,800, leaving the net payments from the guaranty fund $86,200. From actual cash and assets yet on hand belonging to the failed banks, it is believed that sufficient collections will be made to reduce the net amount paid from the guaranty fund to approximately $54,000, which means that it has cost the guaranty banks of this state approximately $9,000 a year for the past six years to insure all of their non-interest-bearing and unsecured depositors against loss on account of bank failures. The capital stock of the guaranty banks is approximately $26,000,000, hence it will be seen that each share of stock of the par value of $100 has paid only three and one-half cents per annum, or twenty-one cents in six years, for this insurance. This sum is infinitesimal, yet it has been sufficient to protect every non-interest-bearing and unsecured depositor in guaranty banks of this state against the loss of a penny. This is the cheapest insurance ever known in the history of this country.

For the protection of the non-interest-bearing and unsecured depositors, the law wisely provides that the assessment may be increased from one-quarter of one per cent. to two per cent. per annum to meet excessive losses. With $100,000,000 average daily deposits, the maximum assessment would bring to the guaranty fund annually $2,000,000. With the stringent laws that now safeguard the deposits in state banks, with their rigid enforcement as has obtained in the past six years, with a thorough examination every three months by competent examiners, with the stockholders' double liability and with the officers, and directors' common law liability for the mismanagement of a state bank, and with bonded officers, it is confidently believed that the assessment will never exceed the minimum of one-quarter of one per cent. in Texas. The department has exercised every power at its command to put out and keep out of state banks men who have proven themselves unworthy. A carefully prepared list of all bankers guilty of misapplication of funds, together with a list of incompetent bankers, is kept in the office for ready reference. The department spares neither time nor money in prosecuting those who violate the law, with the result that several are now serving time in the state's prison. However, in some instances communities have created a sentiment in favor of those criminals, which has found its way to the jury box. No leniency should be shown to one who has feloniously embezzled trust funds and it is the intention of this department to enforce the state banking laws for the protection, not only of depositors, but of the stockholders as well. Ninety-nine per cent. of all bank failures, both state and national, can be traced, directly or indirectly, to the violation of the banking laws.

EXPERIENCE WITH THE FUND

SINCE the guaranty law became effective, on January 1, 1910, to December 1, 1915, when the figures herein were compiled, a period of five years and eleven months, the guaranty fund has been drawn upon seven times for the purpose of paying off the non-interest-bearing and unsecured depositors in failed banks. Unless some good reason exists, the depositors entitled thereto are paid as quickly as their accounts with the failed bank can be balanced and the depositor can make the required affidavit. This is becoming quite well known to the depositors in guaranty fund banks and when one is closed it creates no more of a panic than the closing of a grocery store. Frequently the depositors show absolute indifference in calling for their money after they have been notified that the bank

has been closed. I am of the opinion that the greatest benefit derived from the guaranty law is the alleviation of the panicky conditions which heretofore followed the closing of a bank. Not only have neighboring state banks, but neighboring national banks as well felt the good effect of the law in this particular.

The closing of the Harris County Bank and Trust Co., on September 7, 1911, caused the first demand on the guaranty fund. This bank was closed on Wednesday and on the following Monday the guaranty fund had on deposit in Houston a sufficient sum with which to pay all non-interest-bearing and unsecured deposits and the same were paid as quickly as presented. The guaranty fund paid to the depositors in this bank $111,615.62, and from the assets of the bank have collected and returned to the guaranty fund $72,572.44, leaving a net loss to the guaranty fund of $39,043.18. The bank still has assets on hand, but it is likely that the amount realized therefrom in the future will be small.

The First State Bank of Kopperl was closed on December 6, 1911, and the non-interest-bearing and unsecured depositors were promptly paid out of the guaranty fund, the amount used for this purpose being $8,000, and of this amount $4,000 has been collected from the assets of the failed bank, and returned to the guaranty fund, which is probably all that will be realized from the assets of the institution.

The Paige State Bank was the third to call upon the guaranty fund. It was closed February 10, 1912, and the deposits subject to the guaranty fund were paid within ten days from the date the bank closed, $13,697.20 being the amount used for that purpose. Ten per cent. of this amount has been returned to the guaranty fund and it is not likely that any more will be realized from the assets now on hand.

Tht First State Bank of Amarillo was closed on April 2, 1914, and the guaranty fund was called upon to pay the depositors of that bank $87,476.62 and of this amount $66,607.46 has been collected from its assets and returned to the guaranty fund and it is believed that from the assets yet in the hands of the commissioner a sufficient sum will be realized to fully restore the amount withdrawn. On account of an injunction suit instituted by certain of the stockholders of this bank, the commissioner was prevented from paying the depositors until August 3, 1914. This delay was no fault of the department. It might be here stated that the Supreme Court held in a case growing out of this failure that the commissioner could levy the 100 per cent. assessment provided by law againt the stockholders of a failed bank, as soon as the same was closed, without waiting to determine the amount of the bank's shortage.

The Garza State Bank, closed on September 11, 1914, was the fifth bank for which a draft was made upon the guaranty fund to pay depositors. The amount was $10,046.43, of which amount $6,566.80 has been returned to the guaranty fund. The depositors in this bank were paid within three days after the closing of the institution. The assets of this bank were sold in bulk and its affairs closed, so that no further contribution to the guaranty fund can be expected from it assets.

The Stonewall State Bank was closed on October 5, 1914, and the deposits subject to the guaranty fund, amounting to $4,006.47, were immediately paid. There has since been collected from the assets of this bank and returned to the guaranty fund fifty per cent. of this amount and, with the assets now on hand, it is believed that the full amount will finally be returned.

The Guaranty State Bank of Longbranch closed its doors on October 22, 1914, and draft was made on the guaranty fund for $3,650.85 for the purpose of paying the deposits subject thereto. One-half of this amount has been collected from the assets and returned to the guaranty fund and it is believed that from the assets now on hand the guaranty fund will be fully reimbursed.

The guaranty fund does not receive all the money collected from the assets of a failed bank, but only pro rata with

other creditors of the institution. Deposits which are otherwise secured or upon which interest is paid are not protected by the guaranty fund, but are safeguarded by every other provision of the law applicable to the guaranty fund.

THE LAW APPROVED

THE department is of the opinion that the guaranty bank law in this state has not only been a blessing to the depositor who had his money in one of the failed banks named above, but that it has given confidence and stability to the state banks of Texas, not only at home, but abroad; that it has enabled the state banks to increase not only their volume of business, but their earnings, and that, too, far in excess of the cost incurred; that it has brought from hiding many thousands of dollars and placed it in the channels of commerce for the benefit of mankind.

A comparative statement of the call on November 16, 1910, just before the law became effective, with the last call statement of November 10, 1915, will furnish interesting figures of the growth of the state banks in Texas under the guaranty bank law and will justify the above assertions. These statements disclose the following figures:

State banks and trust companies, 1910	502
State banks and trust companies, 1915	834
Combined capital, 1910	$16,000,000
Combined capital, 1915	32,000,000
Surplus and profits, 1910	3,000,000
Surplus and profits, 1915	10,000,000
Deposits, 1910	42,000,000
Deposits, 1915	101,000,000

Each call statement since this law became effective, with but one exception, has shown an increase both in number of banks and amount of capital stock. From November, 1914, to June, 1915, there were only four state banks organized, but from June, 1915, to the present time there have been seventeen organized and opened for business, all adopting the guaranty fund plan. There are now on file in the department applications for charters for six banks which have not been acted upon. A rigid investigation is made before a charter is granted, for the purpose of ascertaining whether or not a bank is needed at that particular point and for the further purpose of determining whether or not the proposed organizers are suitable persons to be placed in control of a banking institution.

The call statement of November 10, 1915, disclosed more money on deposit in the state banks than ever before in the history of this state. In many portions of Texas, and especially in the western part of the state, the banks have an unusually large deposit. This condition of affairs has a tendency to cause some of the less conservative banks to become over-extended.

The guaranty fund law has been in operation in both Kansas and Nebraska for about the same length of time that it has been in operation in Texas and the reports show that it has been very successful and has cost the banks very little and unquestionably has increased the bank deposits of both states and made its banks institutions for large and popular state service. Oklahoma is the only state in which the law has been tried and found expensive to the banks, and the defects in the law as originally passed have been cured to such an extent that it may be said that it is now being successfully operated in that state.

The criterion by which every law must be tested is the quality and quantity of service which it renders the public and, judged by this criterion, I am of the opinion that the depositors' guaranty fund law of this state merits the highest consideration and the complete confidence of the people. The state banks of this state afford every protection to the depositor given by those chartered by the National Government, including the opportunities to

avail themselves of the privileges given by the Federal Reserve Act, and in addition have the depositors' guaranty fund behind them, the merits of which is no longer a subject for debate. The laws of this state have made such generous opportunities for its banks to serve the public, it appears to me that every state bank and state banker should also ask that its or his actions as a bank or banker shall be tested by the criterion suggested above, that is, the plain test of service rendered to the public.

Foreign Investment and Commercial Preparedness

By JAMES A. FARRELL, President United States Steel Corporation

BUT, be the competition for foreign markets after the war more or less intense than heretofore, this fact stands out clearly: leaving out of sight the gigantic task of repairing the material waste of war in Europe, the needs of undeveloped countries are growing with steadily increasing rapidity. They are able to absorb, in one form or another, all the complex appliances of our modern civilization, all the aids to material comfort and well being that we have come to regard as commonplace necessities, but with which the world at large is but sparingly supplied. The demand will not be lacking if we stand prepared to meet our prospective customers half way.

We certainly never were in so good a position to take advantage of the opportunities which the world has to offer. Since the war began American exports have exceeded imports by $1,864,612,581. It is estimated that $1,500,000,000 worth of American securities have been repurchased, with a corresponding saving on the annual interest charge we have been accustomed to remit abroad. This achievement, together with the rapidly growing gold balance, increased use of dollar exchange, successful negotiation of loans which have helped to readjust sterling exchange and finance munition orders, not to mention loans to Argentina and the Canadian provincial governments, have afforded some justification for the idea that the United States is in process of replacing Great Britain as the "world's banker."

But although much has been done to adapt American finance to the opportunities provided by the Federal Reserve Act and by the war, little has been accomplished toward discharging the function of financing the countries which are open for the investment of American capital. Until we are ready to take advantage of the opening made for us by the drying up of the investment stream of Europe, the title of "world's banker" will not pass to the Western Hemisphere, nor will practical Pan-Americanism become a reality if Europe continues to be the source of the loans necessary to enable our sister republics to develop their latent resources and realize to the full degree of their material prosperity. Foreign investment is a commercial preparedness measure, a source of protection for the whole industrial fabric of our country, should the world recede to political-commercial policies of trade restriction. It is an element of strength in our influence as a nation, should a wiser instinct realize that the true guarantee of the world's peace is the provision of equal opportunity for all.

Canadian Banking and Commerce

Annual Review

By H. M. P. ECKARDT

IN certain respects banking development in Canada during 1915 was similar to the development seen in the United States. This is notably the case as regards growth of deposits. In no previous year of Canadian banking history has the increase of deposits equalled that shown for 1915. It is to be remembered that under the Canadian system the month of January invariably sees heavy contraction of bank liabilities in the form of demand deposits and note circulation. In January, 1915, the aggregate deposits decreased $24,000,000 (most of it being in the current account balances), and the bank-note circulation contracted nearly $9,000,000. Subsequent to January there ensued a gradual rise in the total of deposits until July 31—during the six months the aggregate rose from $1,137,000,000 to $1,181,000,000, the latter amount being only $20,000,000 greater than the aggregate on December 31, 1914. Commencing with August every one of the remaining months of 1915 saw a large gain; and during the five-month period the total increased $156,000,000, standing at the end of 1915 at $1,337,000,000. As compared with the total deposits on January 31, 1915, this represents a gain of $200,000,000; and a gain of $176,000,000 as compared with December 31, 1914.

The issue of $45,000,000 Dominion of Canada one and two-year five per cents in New York in August, the very large Canadian harvests with high prices for agricultural products, and the extensive amounts of British and French funds distributed in the Dominion in payment of Canadian shipments of munitions, supplies, etc., are the factors primarily responsible for the increase of banking resources. The effects of the large Canadian Government loan in the United States were supplemented by numerous other issues of Canadian securities in the American market; and, as great care is being exercised to keep up the character of the bonds, it is hoped that New York will continue to take Canada's offerings throughout 1916. Also the payments from overseas for munitions and supplies are likely to continue large; and in the form of domestic war loans, etc., there will be completed within the Dominion some large internal credit transactions having a tendency to expand the banking liabilities. Therefore at the time of writing this article it appears to be quite within the possibilities that further gains in deposits may be scored during the present year. On the other hand, it is well to recollect that much of the increased deposits represents temporary money which will be withdrawn and expended in a short time.

In disposing of the newly-acquired funds the bankers have kept this last-mentioned contingency firmly in mind. They have regulated loans and discounts with an iron hand. The rule has been nothing for speculation or for new ventures not promising to be productive at once. Requirements of trade and industrial customers have been kept down to what they must have to carry on their businesses. Consequently the current loans in Canada—mercantile loans and discounts—as at December

31, 1915, stood at $775,000,000, or $11,000,000 less than on the same date of the preceding year. In the process of clearing away the bad credits coming to light since 1913 when Canada's big boom culminated, the current loans and discounts in the Dominion had been reduced from $858,000,000 to $786,000,000 by the end of 1914. So the greater part of the new funds acquired went to strengthen the reserves of cash and quick assets. Reference to the small table on a subsequent page shows how the immediate available reserves on December 31, 1915, compared with the preceding year. The increase there shown amounts to $129,300,000; and it is noteworthy that the greater part occurred in connection with the call loans and bank balances outside Canada, New York doubtless getting its full share. The ratio of these reserves to net liability rose from 27.04 to 32.47. The course of the loans and discounts in Canada as above noted is at variance with the course of loans and discounts in the United States as shown in the abstracts of national bank reports. On December 31, 1914, the aggregate shows at $6,347,000,000; and by November 10, 1915, it had risen to $7,233,000,000—an increase of $886,000,000. In the larger country the work of providing credits for belligerent governments in Europe and of taking care of American securities sold in wholesale fashion by European holders has been responsible for a considerable expansion of the loan account.

The bank-note circulation in Canada has moved in the past year entirely in normal manner. The high point of the circulation in 1915 as regards month ends was $124,153,685, reached on November 30. This is only $400,000 greater than the largest circulation in 1914, and the increased agricultural yield would fully account for it. Throughout the year the chartered banks have, as provided for by clearing-house regulations, continued to redeem note issues and deposits in legal tender money through the clearing-houses—notwithstanding that the war relief measures passed in 1914 authorizes them to pay everything in bank notes. The Dominion notes, however, are still under suspension of specie payment. A substantial increase in the gold reserves held against Dominion notes was effected in 1915. On December 31, 1915, the total gold held against the note issues was $115,000,000. This compares with $89,000,000 on December 31, 1914—the increase being $26,000,000. In the same period the note issues outstanding increased from $162,000,000 to $178,000,000 an increase of $16,000,000. The gold reserve thus represented sixty-five per cent. at the end of 1915, as against fifty-five per cent. at the end of 1914.

The comparative statement of banking position as at December 31, 1914, and 1915 appears herewith.

PROFITS AND DIVIDENDS.

IN the matter of net profits the 1915 results are not so favorable as those achieved in 1914. The accompanying table of net earnings shows the total for 1915 to be $15,585,839 as against $18,024,174 for 1914. It is to be noted that the Bank of British North America, the fiscal year of which ends on November 30, and the Weyburn Security Bank, ending its year on December 31, have not published their annual reports on date of writing. Putting in the net results of these two banks at the same figures as shown in 1914 the total net profits for 1915 appear as $1,706,000 less than for 1914. This reduction follows a decrease of nearly $1,200,000 in 1914 as compared with 1913. It may be said that the annual reports in 1915 in practically all cases covered periods in which general business was depressed. Briefly, the reduced earnings were due to contraction of ordinary loans and discounts, increased holdings of cash and quick assets, increased taxes and expenses, not the least of which has been the payment of salaries to employees on ac-

LIABILITIES.

	Dec. 31, 1915.	Dec. 31, 1914.
Note circulation	$122,199,582	$105,969,755
Dominion Government deposits	28,446,549	21,462,952
Provincial Government deposits	18,670,317	20,091,309
Deposits of the public (demand)	423,690,384	349,909,953
Deposits of the public (notice)	720,990,267	662,830,037
Deposits elsewhere than Canada	134,650,183	98,901,413
Deposits of other banks in Canada	17,930,343	8,734,191
Due to banks in Great Britain	4,433,911	15,893,529
Deposits of banks in foreign countries	10,800,160	7,916,454
Bills payable	3,850,245	7,960,509
Acceptances under letters of credit	9,070,694	12,247,502
Other liabilities	4,550,981	2,728,572
Total	*$1,499,283,690	*$1,314,646,254
Capital paid	113,987,577	113,916,913
Rest, or surplus	112,457,333	113,070,859
Profit and loss balance	12,263,644	13,922,789
Total	$1,737,992,244	$1,555,556,815

ASSETS.

	Dec. 31, 1915.	Dec. 31, 1914.
Specie	$67,995,610	$62,569,688
Dominion notes	145,547,870	138,056,339
Circulation redemption fund	6,775,205	6,732,562
Deposits in central gold reserves	17,360,000	9,700,000
Notes and cheques other banks	78,911,720	62,053,441
Loans to other banks	....	126,978
Deposits in other banks, Canada	15,136,161	7,660,751
Due by banks in Great Britain	28,655,500	10,239,738
Due by banks in foreign countries	74,143,694	35,427,429
Dominion and Provincial securities	15,747,625	11,233,636
Canadian municipal, etc., securities	39,978,766	22,371,171
Railway and other bonds	66,768,836	72,055,700
Call loans, Canada	84,228,155	68,511,653
Call loans, elsewhere	137,157,869	85,012,964
Current loans, Canada	775,517,947	786,034,378
Current loans, elsewhere	58,479,739	43,413,760
Loans to Dominion Government	13,415,895	5,000,000
Loans to Provincial Governments	5,461,553	14,104,820
Loans to municipalities	30,878,028	38,256,947
Overdue debts	6,631,832	6,188,017
Real estate other than premises	4,332,764	3,484,561
Mortgages on real estate	1,631,441	1,693,831
Bank premises	48,494,523	46,713,745
Liabilities of customers (letters of credit)	9,125,694	12,247,502
Other assets	5,516,648	6,667,038
Total assets	*$1,737,992,244	*$1,555,556.815

*Differences in addition due to omission of cents.

IMMEDIATELY AVAILABLE RESERVES.

	Dec. 31, 1915.	Dec. 31, 1914.	Per Cent. of Whole. 1915.	1914.
Specie	$67,995,610	$62,569,688	15	19
Dominion notes	145,547,870	138,056,339	32	42
Surplus in central reserves	7,162,685	5,868,157	1½	2
Net foreign bank balances	98,365,283	35,427,429	21½	11
Foreign call loans	137,157,869	85,012,964	30	26
Total	$456,229,317	$326,934,577	100	100

tive service with the Canadian Expeditionary forces. All told there were about 13,000 men in the employment of Canadian banks at the outbreak of the war; approximately 3,000 of these have enlisted, and the names of a considerable number of them have already appeared in the casualty lists.

One bank—the Northern Crown—discontinued its six per cent. dividend in 1915. This bank is also taking steps to reduce its capital from $2,860,000 to $1,430,000—it being proposed to put $715,000 in rest or suplus account and $715,000 into depreciation of assets, etc. Another institution—the Home Bank of Canada—decreased its dividend rate from seven to five per cent. The Dominion Bank and the Bank of Toronto discontinued bonuses of two and one per cent. respectively, which had been distributed in the last few years. Apart from these all dividend rates have been maintained.

There were no bank failures during the year 1915. Two amalgamations were mooted. In one case the directors of the Royal Bank of Canada and the Bank of Hamilton had agreed provisionally for the purchase of the latter by the former, but the Minister of Finance refused his assent, so the deal was abandoned. Also it is understood that a proposal of amalgamation was submitted by a certain large bank to the Northern Crown Bank officials. This offer, too, apparently came to nothing.

In view of the large transactions which the Canadian banks will be required to undertake for the Dominion Government and other parties in 1916, there are hopes that the current season will be more profitable. The banks took $25,000,000 of the domestic war Loan of $100,000,000; and they will be required to make large advances to munition manufacturers and others whose

NET EARNINGS OF CANADIAN BANKS.

Bank.	Year Ended		Net Profits. 1915	Net Profits. 1914	Div. Paid. 1915 Percent.	Div. Paid. 1914 Percent.
Bank of Montreal	Oct.	31	$2,108,630	$2,496,452	12	12
[1]Quebec Bank	Oct.	31	233,420	275,761	7	7
Bank of Nova Scotia	Dec.	31	1,220,057	1,196,116	14	14
[2]Bank of British N. America	May	31	......	685,691	8	8
Bank of Toronto	Nov.	30	663,074	829,538	11	12
Molsons Bank	Sept.	30	556,194	608,196	11	11
Banque Nationale	April	30	333,207	319,903	8	8
Merchants Bank of Canada	April	30	995,431	1,218,694	10	10
Banque Provinciale	Dec.	31	196,355	187,866	6	6
Union Bank of Canada	Nov.	30	659,688	712,440	9	9
Canadian Bank of Commerce	Nov.	30	2,352,035	2,668,234	12	12
Royal Bank of Canada	Nov.	30	1,905,576	1,886,143	12	12
Dominion Bank	Dec.	31	848,741	925,364	12	14
Bank of Hamilton	Nov.	30	424,274	485,265	12	12
Standard Bank of Canada	Jan.	31	621,463	555,095	13	13
Banque d'Hochelaga	Nov.	30	530,237	566,614	9	9
Bank of Ottawa	Nov.	30	531,268	620,691	12	12
Imperial Bank of Canada	April	30	1,026,359	1,236,985	12	12
[3]Home Bank of Canada	May	31	163,929	192,442	7	7
Northern Crown Bank	Nov.	30	100,790	201,288	0	6
[4]Sterling Bank of Canada	April	30	115,111	107,042	6	6
[5]Weyburn Security				48,354	5	5
			$15,585,839	$18,024,174		

[1]Quebec Bank profits, 1914, less business taxes.

[2]Bank of British North America in 1914, changed the fiscal year to make it end November 30, and reported for full year ending November 30, 1914, net profits of $536,576. Results for year ending November 30, 1915, not published at date of writing. Delay arises on account of head office and court of directors being domiciled in London, England.

[3]Home Bank of Canada reduced dividend to five per cent. after May 31, 1915, end of its fiscal year.

[4]Sterling Bank of Canada profits, 1915 and 1914, less taxes.

[5]Weyburn Security Bank, 1915 profits not published at date of writing.

business is now active. These transactions should provide employment for some of the surplus funds.

PRODUCTION AND TRADE

IN comparison with the agricultural results achieved in 1914, the 1915 harvests show up in strikingly favorable manner. Owing to dry weather in Western Canada the three prairie provinces—Manitoba, Saskatchewan and Alberta—experienced a partial crop failure in 1914. The loss then sustained was more than made good in 1915. The accompanying table of yields for the above-named western provinces shows the nature of last year's harvest and the comparison with the eight years immediately preceding.

	Wheat Bushels.	Oats Bushels.	Barley Bushels.
1907	70,922,584	74,513,000	19,187,000
1908	96,863,689	108,987,000	24,050,000
1909	119,200,000	163,998.000	30,542,000
1910	101,236,000	108,301,000	7,130,000
1911	169,725,000	185,570,000	33,300,000
1912	196,000,000	224,500,000	49,600,000
1913	188,878,000	208,308,000	35,432,000
1914	134,445,628	150,474,500	28,900,916
1915	304,200,000	305,680,000	33,000,000

For the whole of Canada the wheat yield is placed by the Dominion Government at 336,000,000 bushels, as against 160,000,000 bushels in 1914. Canada therefore ranks fourth among the wheat-producing nations of the world; and India, which ranks third, was ahead of Canada in 1915, to the extent of only 47,000,000 bushels. The value of the wheat, grain, root and fodder crops in 1915 is estimated to be about $800,000,000, which figure is $160,000,000 greater than the value of the 1914 crop, and about $250,000,000 greater than 1913. There has been a strong demand from England and France for the Western Canadian wheat since the beginning of October. It is understood that some of the wheat from the Western States, graded Chicago "No. 2," and sold to Europe, did not arrive at its destination in good condition; and the circumstance tended to increase the demand for the hard dry wheat produced in Manitoba and Saskatchewan. Shipments of Canadian wheat passing out to Europe through the port of New York were very heavy in October and November, and negotiation of the sterling bills drawn thereagainst helped materially to turn the exchange with the United States in Canada's favor during the latter part of 1915.

An unusual circumstance affecting Canada's wheat trade took place towards the end of 1915 when the Dominion Government without notice commandeered 15,000,000 bushels of wheat in store at Lake Superior terminals, for the purpose of ensuring a sufficient supply for the British Government. Although the Dominion authorities loaned the grain immediately to the dealers who had previously owned it, this transaction tended to put prices up and some think that with further purchasing by the Allies on a large scale there will be a firm market through the spring and summer.

MUNITIONS OF WAR

THE other factor greatly influencing Canadian industry and trade during the year is the rapid development of the business of supplying war munitions, etc. Of course, Canada cannot equal the performances of the United States in this respect, but she can nevertheless show excellent results. Sir

Edmund Walker, president of the Canadian Bank of Commerce, gave the following details at the annual meeting of his bank early in January, 1916. He said the Imperial Munitions Board has given orders in Canada for shells having a value of $282,000,000. Adding to this the orders for cartridge cases, primers, forgings, friction tubes, etc., a total of $303,000,000 is reached. Up to the end of 1915 payments of about $80,000,000 had been made on this work; and the monthly output is now running in excess of $30,000,000. Sir Edmund stated that there are 422 plants working directly on these orders. Apart from the orders for shells, etc., there are the operations of the War Purchasing Commission which deals with all the sundry requirements of the army. The Commission has bought heavily in Canada such items as boots, clothing, leather goods, rifles and small ammunition, telephone equipments, tools, rubber articles, camp, barrack and hospital equipment, beef and bacon, horses and live cattle, wheat, flour, oats, hay, etc. Altogether Sir Edmund estimates that during 1915 and 1916 Canada will have received more than $500,000,000 in connection with these war purchases. It is to be noted that this is the careful calculation of a banker not given to exaggeration.

While this trade only began to reach its heavy volume in the latter part of 1915, it has affected the foreign trade quite noticeably. Prior to 1914 the exports of Canadian manufactures ran something like $50,000,000 per year, or a little more than $4,000,000 per month. For the calendar year 1913 these exports constituted roundly twelve per cent. of the total exports of Canadian produce. According to the trade reports for the twelve months ending November, 1915, the exports of manufactures were nearly $138,000,000—the average per month being about $11,500,000. During that period the manufactures represented more than twenty-four per cent. of the total exports. If the war continues throughout 1916 it is to be expected that the average monthly shipments of this class of exports will be even greater than the figures named above; and if in the course of the present year there should be political developments in the United States tending in the directon of an embargo or undue restriction of exports of war supplies, Canada's contributions would quickly assume very large totals. The action of the Dominion Government in applying half of the proceeds of the Domestic War Loan of $100,000,000 for the purpose of making advances to the British Government in connection with purchases in Canada is expected to have some effect in stimulating Canada's activity in this line. The Canadian banks are also making large advances to the manufactures for the same purpose and have also made arrangements with the French Government for advances to facilitate French purchases.

REVOLUTION IN FOREIGN TRADE

THE above-mentioned circumstances have been influential in effecting for the time being a complete revolution in Canada's foreign trade. Thus in the calendar year 1913 the imports for home consumption were about $665,000,000, as against exports of $420,000,000—the excessive imports being $245,000,000. For the twelve months ending November, 1915, the imports were $435,000,000, as against $559,000,000 exports—the latter being $124,000,000 greater. This reflects an improvement in balance of $369,000,000, effected in the course of two years. The improvement arises through cutting down imports and expanding exports. As the export figures for the first nine months of 1915 were unfavorably affected by the crop shortage in the fall of 1914, and as there is still a large portion of the heavy crop of 1915 to go out, it is expected that the excess of exports during the current year might reach $250,000,000. It is calculated that about $150,000,000 a year is now required to cover the Dominion's interest and dividend payments abroad. So

it appears that after providing for these there will be a substantial balance available for other purposes; and it was this development along with the desire to relieve London that led the Financial Minister in conjunction with the bankers to make arrangements for the Domestic War Loan.

The January, 1916, commercial letter issued by the Canadian Bank of Commerce places the total mineral production of the Dominion for 1915 at $140,000,000 — $10,000,000 greater than in 1914. "Gold, nickel, copper and coal ore largely responsible for this increase. In Ontario the output of the nickel and gold mines has been increased substantially, and that of the silver mines has fallen off somewhat, owing to the low prices prevailing for a large part of the year. On the other hand prices of nickel and copper are higher. The metalliferous mines of British Columbia are experiencing better conditions than they have hitherto done, and the impetus thus given will no doubt lay the foundations of a steady expansion in output."

The Canadian lumber business was greatly depressed in 1914 and in the early part of 1915. Export business has been greatly handicapped by lack of tonnage. This difficulty still continues, but there has been latterly considerable improvement in the home market, especially in the western provinces.

The fisheries have been a source of unusual prosperity, the catch being satisfactory and prices better than usual.

Immigration has fallen to very small figures. It is estimated by the "Monetary Times" that for fiscal year ending March 31, 1916, the total immigration will not be above $40,000. This compares with a total of 85,010 in the 1914-15 fiscal year, and 277.348 in 1913-14. For the first seven months of the current fiscal year new settlers from the United States numbered over 23,-000—constituting about three-quarters of the total immigration. Although the movement of American farmers into the western provinces has diminished, it has not altogether ceased: from April to September, 1915, there were about 10,-000 homestead entries—many of them being by Americans.

Business Men Not to be Ignored

SPEAKING of the successful American business man in a recent issue of the "World's Work," Otto H. Kahn suggests that we "carefully refrain from so hampering and confining the activities of business men as to lame the initiative, weaken the self-reliance, chill the enterprise and zeal and joy of work which have always been their characteristics and which have so greatly contributed toward the marvelous development of this country. Let us have no patience with the presumption that men who, mostly from small beginnings, have fought their way to the top after having passed through the hard and searching test and discipline of business, are to be ignored or distrusted in the shaping of the industrial and economic policies of the country, because of alleged incapacity or unwillingness to take a broad and patriotic view of national questions directly or indirectly affecting their own interests. Let us lend no countenance to the presumption that patriotism, virtue, and knowledge reside primarily with those who have been unsuccessful, those who have no practical experience of business, nor yet, be it said with all respect, with those who are politicians or office holders."

Should Banks Charge a Fee for Presenting Drafts

BANKERS and business men are manifesting considerable interest in the action of the banks in Wisconsin which have adopted a rule to the effect that hereafter they will make a charge for presenting drafts and for supplying credit information. There is some difference of opinion as to the propriety and economic soundness of the practice. It is expected that the credit men's associations will take the matter up and that action will be taken either for the purpose of prevailing upon the Wisconsin banks to discontinue the practice or else of making the policy more uniform throughout the country.

At the present time many business concerns make it a practice of taking names of banks out of banking directories and sending drafts to institutions for collection, realizing in many instances that the same are likely to be returned unpaid. In cases where payment is made the bank attending to the presentation and collection is compensated, but when the merchant refuses to pay the draft the bank finds that it has rendered service and perhaps undergone some expense without any remuneration whatever. It is with the view of correcting or discouraging this practice that the Wisconsin banks have taken the stand that they would hereafter insist upon being paid for their work.

The Wisconsin banks believe that better service would be rendered to the drawers of drafts if a small fee were imposed for their presentation whether or not such drafts were paid. In consideration of this charge more attention could be devoted to presentation and, if payment were refused, more explicit information furnished regarding the reasons for the drawee's refusal. At the Minneapolis convention of the National Association of Credit Men in 1911, a recommendation was made calling for the adoption of a draft that would be approved by the American Bankers Association, and in the use of which a small initial fee would be imposed upon the drawer. In consideration of this fee members of the American Bankers Association would exert their utmost efforts for the collection of such drafts, and in the event of refusal of payment would give to the drawer an explanation dependable and explicit, with such reasons as the bank might be able to obtain. Nothing was done in pursuance of this recommendation.

As regards the charge for credit information, the reason for making a charge is that the banks are called upon so generally for information, whether they have been specifically referred to by customers or not, that under the present system replies are necessarily very brief. It is thought that if a small charge were made for the information, answers would be made with greater care and more serviceable information would be furnished.

In discussing the matter, an official of the National Association of Credit Men said: "It is our impression that, despite the rule, whenever members are referred to banks in Wisconsin and inquiries are made of such banks with the explanation that they have been referred to, the information will be furnished without charge. We cannot guarantee of course that such will be the case; but we believe that the rule adopted for the imposing of a charge for credit information refers to general inquiries, and that the leading banks of Wisconsin consider themselves at liberty to furnish information upon customers when directly referred to. In these cases the explanation should be made with every inquiry that the banks have been referred to. But when information is desired in cases where reference has not been made to a bank the charge will be adhered to."

NATIONAL BANK OF COMMERCE IN NEW YORK

National Bank of Commerce in New York

NEARLY seventy-seven years ago —to be more exact, on April 3, 1839,—the Bank of Commerce in New York was organized as a state banking institution. During its existence as a state bank—from 1839 to 1864—and as a national bank—from 1864 to the present—covering a period of more than three-quarters of a century of banking service, it has filled a most important place among the banks of the United States as well as of the City of New York. Today the National Bank of Commerce in New York, in

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VICE-PRESIDENT NATIONAL BANK OF COMMERCE IN NEW YORK

H. P. HOWELL
VICE-PRESIDENT NATIONAL BANK OF COMMERCE IN NEW YORK

point of strength of management, adequate capital, large resources, physical equipment, and the departmental organization necessary to complete banking service—including likewise domestic and foreign connections—ranks among the leading banks of the country. When either the state of New York, or the Federal Government has required banking support or assistance, the Bank of Commerce has responded with promptness and liberality, thus discharging the semi-public functions which its officials have ever considered a part of their duty. In every commercial and financial crisis—and there have been many in the long years since 1839—the bank has not only preserved its own standing intact, but the counsels of those who from time to time have directed the management and all the bank's acts have tended very powerfully to help in maintaining confidence in the local and general banking and commercial situation.

Thus the large business and extensive public confidence now enjoyed by the National Bank of Commerce in New York are a legitimate and proper reward of sound and efficient banking service and a due recognition and fulfillment of the bank's community obligations on the part of the management.

HISTORICAL

THE stormy financial period of 1837-1839 brought about some striking changes in banking conditions. A panic of great intensity in the former year was followed by one of lesser severity in the latter. In 1836 the charter of the Bank of the United States had expired, and that institution under its Pennsylvania charter had begun to show signs of that weakness which shortly afterwards culminated fatally. It was felt in New York at that time

that a strong bank was needed that should be a firm support to the commercial community. Fortunately, the free banking law was then in effect which rendered the formation of a new bank a much easier matter than it had been formerly. The organization was on a scale commensurate with the functions the new bank was expected to fulfill in place of those surrendered by the Bank of the United States. Provision was made for a subscription of part of the authorized capital of $20,000,000 by the United States and by the states individually.

The Bank of Commerce was organized at the beginning of 1839 but did not begin business until April 3. Its original capital was $5,000,000, distributed among 624 shareholders. For a time it had a monopoly of the local deposits of the Federal Government, but soon the other banks shared the privilege of acting as custodians of the public funds. When in 1856 the capital was increased to $10,000,000, only thirteen additional stockholders were acquired, the then existing 2,156 stockholders subscribing to practically the entire issue of new stock.

One of the events which have signalized its career was the introduction of clearing-house certificates in 1860 when John Austin Stevens, the bank's president, was also president of the Clearing House Association. In that same year, when Secretary of the Treasury Philip F. Thomas was authorized to issue Treasury notes to pay the interest on Government bonds, and asked for subscriptions to five million dollars of such notes, less than $2,500,000 was bid for and at interest rates ranging as high as thirty-six per cent. The Bank of Commerce in New York came to the aid of the Government and took the entire five million dollar issue at twelve per cent.

The following year, when Governor Edwin D. Morgan, a director of the bank, appointed Jacob R. Schuyler agent for New York State to purchase arms in England, the Bank of Commerce in New York gave him credit for £100,000 on Baring Brothers & Co. of London, and shortly afterward increased it by £35,000. This was before the United States Government handled its own purchase of munitions of war.

In 1862 the "invaluable service cheerfully rendered to the state in its efforts to sustain the general government for the past twelve months" by the Bank of Commerce was recognized by the gift of a national flag presented to the bank by the State of New York. The Federal Government likewise availed itself of the services of the bank which opened credits with Baring Brothers of London, totaling £585,000 for it in 1862.

In 1864 the National Bank Act of 1863 was so amended that the Bank of Commerce in New York could and did become a national bank and still retain for its shareholders the single liability on their stock holdings. In the debate on the amendment, which was introduced with this bank in view, Senator Sherman said: "It was deemed of vital importance that this bank, being the largest banking institution in the United States, should embrace the provisions of the act. They are very strong; they now hold ten million dollars of our securities; they have been friends of the Government; they have loaned their money freely."

In 1877 the capital stock was reduced from ten to five million dollars, at which figure it remained until, in 1900, the National Union Bank was consolidated with the National Bank of Commerce, when the capitalization was increased to ten million dollars. In 1903 the capitalization was increased to twenty-five million dollars, and the business of the Western National Bank was absorbed. The statement to the Comptroller of the Currency December 31, 1915, showed: capital, $25,000,000; surplus and undivided profits, $17,574,817, and total resources, $309,056,792.

In 1879, when Secretary of the Treasury John Sherman took advantage of the improved credit of the Government to refund at four per cent. the outstanding six per cent. bonds, President Henry F. Vail of the Bank of Com-

J. Howard Ardrey
VICE-PRESIDENT NATIONAL BANK OF COMMERCE IN NEW YORK

S. E. Ward
VICE-PRESIDENT NATIONAL BANK OF COMMERCE IN NEW YORK

merce wired the Government a subscription for forty million dollars of the four per cent. bonds, Secretary Sherman required a second telegram to convince him that "forty" was right and not merely "four" before accepting the offer.

The bank bought a large amount of Government 5 per cent. bonds in 1894 after the free silver scare, to stop the general alarm, and afterwards participated in a hundred million dollar syndicate to purchase these securities.

As long ago as 1854 the directors of this bank recognized the value of contentment on the part of its employees and established a yearly bonus plan, payable at Christmas time; five per cent. of their yearly salary to employees after their first five years of service, and ten per cent. after their first ten years of service. During the latter years of the Civil War and for many years thereafter the bank's directors saw the difficulty for men with small fixed incomes to live comfortably in view of the rise in the prices of commodities and voted their employees bonuses ranging from twenty per cent. to fifty per cent. a year until better times came. The bank has furnished its employees a daily luncheon since 1866, and in 1884 it established a pension system. Two years ago last December the directors went further in this welfare work, inaugurating what has been felt to be the best plan of pension, life insurance and disability insurance that has yet been inaugurated by any manufacturing, financial or railroad interest.

During the seventy-seven years of existence the bank has never moved more than a few blocks. Its first home was in the Merchants Exchange building at 46 Wall street. In 1842 it shared the building on what is now the site of the United States Assay Office. In 1855 it bought a lot 74 feet 9 inches on Nassau street by 108 feet 7 inches on Cedar street for $250,000, and erected on

this corner a four-story building into which it moved the following year. It has never moved from this site since, but in 1894 it bought the adjoining lot for $225,000, giving it 101 feet front on Nassau street, and moved to temporary quarters at Nassau and Liberty streets while erecting its present building into which it moved on May 3, 1897.

THE MANAGEMENT

THE Bank of Commerce was founded by two bankers, two capitalists, two lawyers (one of whom was Chancellor Kent) and twelve merchants, as a strictly commercial bank, and the founders became its first board of directors. During its entire history it has had on its board a large representation of the commercial interests of the country.

The bank's list of presidents contains the names of many distinguished men. Its first president was Samuel Ward, a descendant of the Governor Samuel Ward, of Rhode Island, who refused to enforce the Stamp Act, and was a member of the first two Continental Congresses. Julia Ward Howe, his distinguished daughter, wrote: "When New York was about to repudiate its debt, after Andrew Jackson's refusal to renew the charter of the Bank of the United States, my father understood that his firm, Prime, Ward & King, should negotiate with English correspondents a loan to carry the State over the period of doubt and difficulty. A little later a dray, loaded with kegs, on which were inscribed the letters "P. W. K." was seen in Wall street. Those kegs contained the gold just sent to the firm from England to help our state through this crisis."

Mr. Ward's tenure of office was brief, and after his death John Austin Stevens, Yale, 1813, was elected president December 5, 1839. General Ebenezer Stevens, his father, participated in the "Boston Tea Party." Mr. Stevens resigned in 1866, but remained a director until his death in 1874. Charles Handy Russell, who was an original associate and a member of the first board of directors, was the next president. In 1866 he was succeeded by Robert Lenox Kennedy, who held the office until 1878 when Henry F. Vail was elected. Mr. Vail was president from 1878 until 1882, and Richard King for the ten years following. W. W. Sherman was president from 1892 to 1899, and Joseph Clifford Hendrix from 1900 to 1903, when Valentine P. Snyder was elected. Mr. Snyder resigned in 1911 and James S. Alexander has been president since September of that year.

[A portrait of Mr. Alexander appears as a frontispiece in this number of THE BANKERS MAGAZINE.]

Men of the highest eminence in commerce and finance have been officers and directors of the bank. Its vice-presidents have included men like the late A. A. Low and the late J. Pierpont Morgan, Sr., and such men as John Jacob Astor, John S. Kennedy and Alexander E. Orr have been directors. These names, and others almost or quite as well known in the commercial and banking world, illustrate the character of the management throughout the bank's history, and the high traditions of the past are well sustained by the present management, composed of the following officers and directors: Officers: President, James S. Alexander; vice-presidents, R. G. Hutchins, Jr., Herbert P. Howell, J. Howard Ardrey, Stevenson E. Ward and John E. Rovensky; cashier, Faris R. Russell; assistant cashiers, A. J. Oxenham, William M. St. John, Louis A. Keidel, A. F. Maxwell, John J. Keenan, Gaston L. Ghegan and A. F. Broderick; manager foreign department, Franz Meyer.

Directors: James S. Alexander, E. J. Berwind, Paul D. Cravath, William A. Day, Henry W. de Forest, James B. Duke, Daniel Guggenheim, Herbert P. Howell, R. G. Hutchins, Jr., Adrian Iselin, Jr., James N. Jarvie, A. D. Juillard, Alvin W. Krech, Charles Lanier, A. W. Mellon, Charles A. Pea-

J. E. ROVENSKY
VICE-PRESIDENT NATIONAL BANK OF COMMERCE IN NEW YORK

FARIS R. RUSSELL
CASHIER NATIONAL BANK OF COMMERCE IN NEW YORK

body, Charles H. Russell, John G. Shedd, Valentine P. Snyder, H. B. Thayer and Harry Payne Whitney.

The National Bank of Commerce in New York includes among its depositors thousands of banks, banking houses and individuals, throughout the country, and leading mercantile and manufacturing companies, both foreign and domestic, and is also correspondent of government banks of European and South American countries.

After the recent passage of the Federal Reserve Act the bank promptly signified its intention of coming in under the new system and at the same time relinquished the single liability of its shareholders, thus placing it on a par with other national banks in this respect. The bank has been very prosperous and has had an uninterrupted record of the payment of dividends from its beginning.

THE BANK'S GROWTH

SINCE the establishment of the Bank of Commerce the City of New York and the United States have experienced a wonderful growth in population, commerce and wealth. New York has become one of the world's foremost cities in trade, size, and in financial power. To the commercial and financial growth of the city the Bank of Commerce has contributed by the skill and strength of its manage-

As at close of Dec. 31.	Capital.	Undivided Surplus and Profits.	Gross Deposits.	Net Deposits.	Total Assets.
1900	....$10,000,000	$6,139,000	$87,152,000	$49,754,000	$111,198,000
1905	 25,000,000	12,071,000	140,665,000	110,539,000	190,457,000
1910	 25,000,000	16,349,000	143,757,000	117,389,000	197,812,000
1915	 25,000,000	17,056,000	257,777,000	214,296,000	316,255,000

ment. And while the city and country were growing the bank was growing also, as may be seen from the table preceding.

From this brief sketch it will be seen that the National Bank of Commerce in New York for seventy-seven years has stood as an example of good banking; that it has been mindful of its obligations to the country, to its shareholders, to the public and to its own employees, and that as a result of good service and prudent policies it has grown in size and strength, and today possesses the sound reputation and sterling character which assure for the future the maintenance of the honorable record it has upheld in the past.

Trade Acceptances Favored

IN a recent address before the New York Credit Mens Association, Mr. Paul Warburg of the Federal Reserve Board made a strong plea for a wider use of trade acceptances. A portion of his address follows:

"Until now, we have been laying the foundation and installing the machinery for future operations. I believe we have fairly finished this first part of our task, and further development will from now on depend to a large degree upon the banks and the public.

"In order to remain liquid and deserving of the unqualified confidence they require, reserve banks must employ their funds in investments of the most liquid character only. The larger the amount of such paper that is available the larger will be the field of operation open to these banks and the better can they perform the function of either employing their funds freely or, with equal freedom, collecting their maturing paper and keeping their funds idle when that course is indicated. In order effectively to develop their operations, Federal Reserve banks cannot depend upon the borrowing requirements of their member banks alone, since that, in many districts, would be a wholly inadequate field for their activities. The first year's experience has already shown that they must look largely to open market operations, such as purchases of bankers' acceptances, bills of exchange, warrants, United States bonds, etc., in order to secure their share of business and influence.

"Their most important field, in this respect, is the bankers' acceptance; the use of which it is confidently hoped will, from now on, steadily increase. Unfortunately, the development of this method of financing importations and exportations has thus far been comparatively slow. Either the merchant, or the banks, or both, lack the full appreciation of their opportunities—we might say of their national duties—in this respect. While great headway has already been made and while it is realized that real progress must be gradual and that some of the foreign banks now occupying the field are blocking our way as far as they can, we ought, nevertheless, to be further advanced in this direction than we are today. With our acceptance discount rate at about two per cent., against the British discount rate of about five per cent.; with our exchange for dollars high and secure, while European exchanges are low and unstable, we ought today to be doing a larger acceptance business. A few of our banks have been very energetic; others have been wholly inactive, partly because of ignorance of the methods to

be employed, partly because of their inability or unwillingness to secure men who are expert in this business. Some banks, I suspect, prefer at this time to make cash advances rather than to grant acceptance credits, because they wish to employ their own funds. That, however, is short-sighted policy. Every effort ought to be bent at this time, both at home and all over the world, to introduce the use of our bankers' acceptances. It is inevitable that at the end of this unfortunate war we shall be the one nation to which logically the world will look for credit facilities. To grant these acceptance credits will be one of the functions which, from now on, we shall be called upon to perform in a constantly growing measure. Not only is it wise for the accepting firms to take up with energy this branch of banking, but, for the future of the Federal Reserve System, it is of the utmost importance that our banks should hold as an asset hundreds of millions of this most liquid paper which, at any time, they can dispose of to the Federal Reserve banks. This will not only widen the field of operation open to our Federal Reserve banks, but will prove a source of safety for us in our international financial relations. Incidentally, I am looking forward to the time when even country banks will carry these bankers' acceptances as quick assets rather than demand balances with other banks.

"The Federal Reserve Board hopes that we may succeed in securing a broadening of the powers of national banks so as to permit them to accept, not only against transactions involving the importation or exportation of goods, but also against domestic transactions, secured by the pledge of readily marketable staples, by goods actually sold, or by shipping documents covering goods in course of transportation. It is easy to see the great influence that such an amendment to the present law would have in equalizing rates. If cotton, properly warehoused in Texas, can be pledged to an accepting bank in Texas, Chicago or New York, the proceeds of the acceptance at the discount rate of, let us say, two per cent., would flow from whatever would be the lowest discount market into Texas and relieve the banks in that district.

"And here we touch upon a point that I would wish to impress upon your minds, namely, equalization of discount rates is dependent upon standardization of credit, and it can not be brought about by legislative enactment or Government machinery, but only by the action of the banks and business men themselves. Farmer Jones may be able to secure money from his bank on his own note only at six or seven or eight per cent., but if he can store his grain or cotton with a properly organized warehouse and secure the acceptance of a good bank, the bill will sell at the lowest rate; provided the accepting bank is sound. It does not matter whether money at that time be higher at New Orleans or Minneapolis than at Chicago or New York; if the New Orleans or Minneapolis bank's acceptances are good they will sell substantially at the same low rate as those of the banks in Chicago and New York. Raise the standard of banking and warehousing—use modern banking methods—and equalization of interest rates must follow automatically. No law will ever remove the difference between good and bad. There are different grades in cotton and grains, and, similarly, there are different grades in credit. We can not equalize credits, but we can bring about equalization of interest rates for simiar grades of credit all over the country.

"And now a word about trade acceptances. I have read with the keenest interest the very intelligent articles that you have published in the Bulletin of the National Associaion of Credit Men, and the speeches made by your officers concerning this topic, and I congratulate you upon the excellent work that you are doing in the matter. You have clearly pointed out that the trade accepance offers the great advantage of converting a non-negotiable book account into a live liquid asset, and you are doing a most valuable work of education when you teach the merchant or manufacturer that, under the present

system, having sold his goods, he has to borrow on his own promissory note, using his own credit, while, if he adopted the system of trade acceptances, securing the obligation of the customer purchasing the goods, he would be selling an asset instead of incurring a debt."

Retirement of National Bank Circulation

NATIONAL banks were allowed to begin selling their Government bonds and retire their national bank circulation based thereon, beginning December 23, 1915. The Federal Reserve Act provides that two years after the passage of the act the retirement of circulation and the purchase of the Government bonds by the reserve banks may begin. The two years will have expired this December.

Some have made inquiries regarding this matter and it is presumed that some national bank notes will be retired through the sale of Government bonds to the reserve banks. This matter will, however, have to be arranged through the Reserve Board. The board has given notice that the banks desiring to avail themselves of this privilege may make application at any time they desire. The assignment of these applications to sell to reserve banks will not, however, be made by the board until next spring. The board will not require the reserve banks to purchase any of these bonds prior to the quarter ending March 31, 1916.

The following notice on this subject has been issued:

"The Federal Reserve Board has received letters from banks desirous of disposing through the Treasury of the United States of United States 2 per cent. bonds belonging to them.

"Section 18 of the Federal Reserve Act provides:

"After two years from the passage of this act * * *, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

"The Treasurer shall at the end of each quarterly period furnish the Federal Reserve Board with a list of such applications, and the Federal Reserve Board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least ten days before the end of any quarterly period at which the Federal Reserve Board may direct the purchase to be made.

"This provision does not become effective until December 23, 1915. The end of the first quarterly period following that date is December 31, 1915. In order to comply with the terms of the statute, applications would have to be filed with the Treasurer ten days before this time, or by December 21, 1915. In other words, the application would have to be filed at a time when this particular provision of the act is not in operation.

"The board has now determined that it will not undertake to require banks to purchase any bonds for the retirement of circulation prior to the end of the quarterly period closing March 31, 1916. It will, however, permit banks to begin filing applications as soon as they see fit, notwithstanding that assignments will not be made until the date already indicated."

Banking and Commercial Law

CASE COMMENT AND REVIEW

May a Bank Run a Brick-yard? Yes, If It Has To.

THE bank of discount loans its funds to all sorts of people, on all kinds of collateral, some specifically pledged, but as a rule on the general credit of the borrower, which credit is supported by a net worth—the difference between what the party owns and what he owes. This net worth may be ascertained from a credit statement, or be mere guesswork on the part of the bank officials. Many a bank loan made in good faith and upon what is considered good security goes wrong, and the bank, after nursing the matter along until hope is gone, is obliged to take whatever assets there may be available to protect itself from loss. If the assets of this character taken over by the banks of this country were scheduled it would make interesting reading.

In a case reported in this number (First National Bank of Kennewick v. Conway) the bank, in order to save itself from loss, took over a brickyard property. After spending some money on it, the bank began to manufacture brick, and by reason of incidents that will be found in the case, got into litigation. While the case holds out no particular warning to bank men, it contains the gist of the law relative to two points in the matter of management, the first of which is to the effect that a bank may in good faith do almost anything to protect itself from losses due to ill-advised loans, and second, that the cashier has general authority in the management of the bank, and the doctrine of ultra vires, while a broad one, is not a good defense where he has acted in good faith, and for the interest of the bank. As to the right of the bank to take over property to avoid losses the rule is:

While it is not lawful for banking associations established under the National Banking Act to purchase, hold and convey real estate, except in certain specified cases, among these exceptions are included such real estate "as shall be mortgaged to it in good faith by way of security for debts previously contracted, such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings; such as it shall purchase at sales under judgments, decrees or mortgages held by such association." Under the latter clause it cannot be deemed that the only authority given to such associations is to purchase only to the exact amount of the debts which may be owing to them, but they are entitled to purchase such real estate as may be necessary in order to secure the debts due to them so long as the security of such debts is the real object of the purchase."

The authority of the cashier or other officer to bind the bank in such matters is summed up as follows:

Officers of banks are held out to the public as having authority to act according to the general usage, practice and course of business of such institutions, and their acts within the scope of such usage, practice and course of business bind the bank in favor of third persons having no knowledge of a limitation on their authority, and it is immaterial what the person's official position may be, if he is actually engaged in the management of the bank's interests.

If a bank does not wish the public to deal with any particular one of its officers, at the regular place of business, in a particular line of that business, it is its duty so to notify the public in some effectual way."

Leading Case

Interest on Special Deposit

KANSAS

Supreme Court of Nebraska, Sept. 20, 1915.
MADISON NAT. BANK V. GROSS.

In an action against a bank to recover interest on a special deposit, upon an alleged contract of the bank to pay such interest, it is immaterial, as a defense on the part of the bank, that the deposit was made pursuant to a stipulation by the depositor with other parties to maintain such deposit.

ACTION by the Madison National Bank against Morris Gross. From judgment for plaintiff, defendant appeals. Affirmed.

STATEMENT OF FACT AND OPINION

SEDGWICK, J. The plaintiff began this action against the defendant in the district court for Madison county upon two promissory notes. The defendant answered, admitting the notes and alleged:

That he, "on the 2d day of October, 1905, and for many years prior thereto, had large amounts of money upon deposit and subject to check in the Madison State Bank. That on and prior to the said 2d day of October, 1905, there was pending against this defendant, in the United States Circuit Court for the District of Nebraska a certain lawsuit, wherein it appeared that this defendant might have to pay from $6,000 to $8,000 by virtue of a judgment in said court in said cause, in a few years thereafter.

"That for the purpose of meeting said judgment when it did come, and for the purpose of being sure that he would have the cash to satisfy the same when it was rendered, he desired to put $6,000 or $7,000 upon deposit, drawing the legal rate of interest, and he went to said Madison State Bank, with which he was then doing business and stated his wishes and purposes with reference to said money to the officers of said bank.

"He offered to make a special deposit therein, which would not be drawn out for three or four years. That then and there he was informed that said bank would receive such deposit upon a special book and pay interest thereon, at the legal rate of interest. That then and there this defendant deposited with the said Madison State Bank the sum of $3,282, and on the 5th day of March, 1906, deposited with the said bank in said special account the sum of $171.60.

"Then on the 17th day of November, 1906, this defendant deposited further in said special account the sum of $3,200; his total deposit being $6,653.60. That on or about the 7th day of January, 1911, a judgment was entered in said cause against this defendant, and it became necessary for him to get his money at said bank for the purpose of paying the same upon said judgment.

"The defendant then and there went to said bank and asked for his deposits, with interest thereon at the legal rate of interest, and said bank refused to pay the same, but consented to pay the principal, without interest. That at said time it was absolutely necessary, to save a levy upon his property, for this defendant to have said money, so he gave a check upon said special account for the amount of the principal, without interest.

"That there was due upon said special account the sum of $1,928.97 which said defendant demanded of the said Madison State Bank, but that no part

thereof has been paid, whereby the said plaintiff became, was, and is indebted to the said defendant in the sum of $200, over and above the amount due upon said notes sued upon herein, together with interest thereon at the rate of seven per cent. per annum, from the 7th day of January, 1911."

The defendant asked judgment against the plaintiff for his $200 and interest. The plaintiff replied, admitting the deposit in a special account as alleged, but denying the agreement to pay interest thereon. The cause was tried by the court without a jury. The court found against the defendant on his setoff, and entered a judgment for the plaintiff for the amount of the notes sued upon, and the defendant has appealed.

The defendant then had an account in the Madison State Bank, which was afterwards reorganized as the Madison National Bank, and was continually borrowing money of the bank upon his promissory notes. He was also in litigation with his brothers in the Federal Court, and expected to be required to pay as the result of that litigation $6,000 or $8,000. He testified that the bank was familiar with his business, and knew his situation, and that he told the cashier:

"You know this is hanging over my head—that judgment. I don't know how it may come out; you can't tell how about it will go. I have got the money. I don't know how to invest it to bring money. I am a farmer; I can raise stock, but I don't know anything about the banking business. Mr. Taylor went to work and fixed that for me."

The cashier gave him another deposit book, marked "Morris Gross, Special," and the defendant transferred $2,856.40 from his personal account to this special account, and afterwards paid more money into this special account. The question is whether he has proved that he is entitled to interest on this special account. There is some evidence which it is claimed tends to show that this special account was a fund in some manner under the control of the federal court; but this does not seem to be material. If this defendant provided the fund, and the bank contracted to pay interest thereon, the payment of such interest would clearly have benefited the defendant only; and it would seem that the bank would be bound by its contract with defendant to pay interest on the special deposit.

It is therefore immaterial that the court first allowed plaintiffs evidence in regard to the control of this fund by the federal court, and afterwards, when it appeared that such evidence was immaterial, refused to allow the defendant to rebut the testimony. This is a law action, tried to the court, and the findings of the court have the same force and effect as findings by a jury. They will not set aside by this court a mere difference of opinion as to the weight of the evidence, especially when the evidence is taken orally in the presence of the trial court. If the evidence is substantially conflicting, the judgment will not be reversed, unless clearly wrong.

The question is: Does the evidence so clearly prove that the bank agreed to pay interest on this open special deposit account that the findings of the trial court must be reversed as clearly wrong? The defendant was borrowing large sums of money at the bank from time to time while this money was on deposit. It seemed to him just that the high rate of interest he was paying to maintain this deposit should be partially, at least, offset by allowing interest on the deposit. He may have supposed that interest would be allowed. He testifies that his contract was made with Taylor, the cashier, and was afterwards confirmed by Mrs. Stuart, the president of the bank. He is contradicted by both of these witnesses, who testify positively that no such agreement was made. The defendant's own testimony is not very clear and convincing. After he had testified as above quoted he was questioned and answered as follows:

"What did you say, if anything, to him about wishing to have this money earning interest? A. Yes. Q. What

did you say? A. I said I wanted that money to earn money, to pay interest, if I have to pay that judgment. Q. Is that all you stated to him about it at that time? A. Well, I says to him, 'I dont know how to go at this;' I says, 'I have an account in this book.' Q. At that time you borrowed money frequently from the bank? A. Yes, sir. Q. Large sums of money? A. Yes, sir. Q. What, if anything, did you say to him about your borrowing money from the bank at different times after that? A. I asked him, 'How you come to make out the account?' I have the book; it was 'Morris Gross, Special,' and transfer from this to that, and straighten me out, if this money is going to draw me interest. He said: Q. Examine Exhibit 2, and state what that is. A. That was money that was drawing the interest I— Q. That is not what I want you to tell. Is this the book he gave you at that time? A. Yes; that is the other book; he dug it up. Q. Is this the way he proposed to make it draw interest for you? A. Yes; 'this is the way to do it,' he says; 'I will fix it for you; it will draw interest. He went to work, and took up the credits in there, and put them in here, and he said, 'You will get your interest.' "

The two notes sued upon were given January 7, 1911, for $1,000 each, and two days later the balance of the special account, $6,487.76, was withdrawn from the bank upon the personal check of defendant, signed "Morris Gross, Special." At that time he demanded interest upon the special deposit, which was refused. As he was compelled to pay the judgment, which had then been rendered against him in the federal court, he withdrew the principal of the deposit, without prejudice to his claim for interest thereon. There is nothing in this circumstance, nor in any other shown in the evidence, so far as we can see, that tends to corroborate the defendant's testimony and certainly the evidence of contract to pay interest on this open account is not such as to require us to say that the trial court is clearly wrong.

The judgment of the district court is therefore affirmed.

154 N. W. Ref. 20.

Time of Payment

PENNSYLVANIA

Mortgages — Presumption — Set-off— Evidence—Statute of Limitations

Supreme Court of Pennsylvania, July 3, 1915.

RHONE V. KEYSTONE COAL CO.

A bond and mortgage, payable not at any fixed date, but at such time as the directors of the mortgagor should determine, were presumably due and payable after the lapse of 18 years.

Where no time is specified in a written obligation for the payment of money, the parties are presumed to have intended that the money should be payable immediately.

A debt which on its face appears to have been barred by the statute of limitations cannot be used as a set-off without evidence to take it out of the statute.

SCIRE facias sur mortgage by Henrietta R. F. Baker, assigned to and now to the use of D. L. Rhone, trustee of W. D. Loomis, and others, against the Keystone Coal Company, a corporation, defendant, and Viktoria Schmitt and others, terre-tenants. From a judgment for plaintiffs, defendants appeal. Affirmed.

STATEMENT OF FACT AND OPINION

POTTER, J. This proceeding was a scire facias sur mortgage. The Keystone Coal Company gave its mortgage to secure a bond in the sum of $12,000, but by payments the indebtedness was reduced to $8,000 prior to the date when the writ of scire facie was issued. It appears from the record that the mortgage, which bears date

May 8, 1889, recites that it was given to secure the payment of a bond, payable not at a certain fixed date, but at such time as the board of directors should determine. The original bond and mortgage have been lost and could not be produced at the trial. In their statement of claim the plaintiffs averred distinctly that the bond and mortgage were due and payable. At the trial they offered in evidence the record of the mortgage, and made proof of the loss of the original bond and mortgage. They also showed the assignment.

At the request of counsel for plaintiffs, the court affirmed a point, as follows:

"The mortgage on which suit is brought having been given to secure payment of a bond therein referred to and bearing even date with the mortgage, viz., May 8, 1889, for $12,000, and it not appearing in evidence in this case that any date was fixed in said bond as the date of maturity thereof, the bond being lost, under the evidence as presented in this case, there arises a legal presumption that the bond had become due and payable and collectible prior to the date of the institution of this action of 1907, after a lapse of eighteen years from the date of the bond and mortgage."

We see no error in the affirmance of this point. The indebtedness was admitted, and the defendant company had made partial payments which reduced the amount due on the bond to $8,000. This appears from another point, which was affirmed by the trial judge, as follows:

"Under the uncontradicted evidence in this case, there was unpaid on said bond and mortgage, on the 5th day of February, 1900, the sum of $8,000, with interest from December, 1899, and it not appearing that any payment on account thereof has been made since that date (February 5, 1900), the plaintiffs, if entitled to recover, are entitled to a verdict for $8,000, with interest from 1st day of December, 1899."

The trial judge placed upon defendants the burden of showing that the bond had not matured when the writ of scire facias was issued, and, as they did nothing to meet that burden, he gave binding instructions in favor of the plaintiffs. We think he was justified in this action, taking into consideration the admitted indebtedness, the length of time it had existed, and the payments which were made in reduction thereof.

The rule as to mortgages is laid down in 2 Jones on Mortgages (6th Ed.) Sec. 1174, as follows:

"In general the right of action [foreclosure] accrues upon the nonpayment of the principal or interest at the time fixed for payment. * * * If no time of payment is fixed, the debt is payable on demand, and the right to enforce it accrues immediately."

The same rule is somewhat differently stated in 1 Wiltsie on Mortgage Foreclosure (3d Ed) Sec. 53, as follows:

"Where a note or bond secured by mortgage is given for the payment of a specified sum of money, but no time is fixed for such payment, the law supplies the omitted element and makes the debt due immediately."

The latter statement is supported by authorities from most of the jurisdictions of the United States. To the same effect is the recent case of Harrison vs. Atlee, 38 Pa. Super. Ct. 241, 243, where Henderson, J., says:

"It is a rule which the appellants do not controvert that, where no time is specified in a note or other obligation for the payment of money, the parties are presumed to have intended that the money should be payable immediately. Demarest vs. McKee, 2 Grant Cas. 248; Rhoads vs. Reed, 89 Pa. 436; Bank of Columbia vs. Hagner, 26 U. S. [1 Pet.] 455. * * * An agreement to lend money without a period fixed at which repayment is to be made is not an agreement for a perpetual loan, although the parties may have stipulated that while the indebtedness existed interest should be paid. To hold that this contract was an agreement on the part of the plain-

tiff that he would never call for the payment of the debt as long as the interest was paid is to attach to it a condition not expressed in the letters passed between the parties, nor inserted into the contract by legal implication. A provision so unusual in a contract should be clearly set forth."

If, therefore, the bond be considered as one in which no time for payment was fixed, it would be payable immediately. If the board of directors were to fix the time of payment, they would be obliged to fix a reasonable time, and, in the absence of proof to the contrary, the presumption is that they did so, and that such time did not extend beyond 18 years from the date of obligation.

In several of the assignments of error complaint is made of the exclusion of evidence tending to show a set-off, based upon an alleged liability of one of the assignees of the mortgage, to the Keystone Coal Company, the mortgagor, for an unpaid stock subscription, and for stock issued gratuitously. But if any such liability existed, it apparently arose in March, 1887, and recovery thereon would be barred by the statute of limitations. It is settled that a claim of set-off more than six years old is barred by the statute. Morrison vs. Warner, 200 Pa. 315, 49 Atl. 983; State Hospital for Insane vs. Philadelphia County, 205 Pa. 336, 54 Atl. 1032.

In Taylor vs. Gould, 57 Pa. 152, it was held that a debt which on its face appears to be barred by the statute of limitations cannot be used as a set-off without evidence to take it out of the statute. The evidence was therefore properly refused as immaterial. The fact that Mr. Schmitt was a creditor of the defendant company had no relevancy, as that would not give him priority over the mortgage. Nor does the fact that Mrs. Schmitt is named both as party plaintiff and defendant in the action affect in any way the liability of defendants or the right of plaintiffs. The effort of defendant seems to be to deny present liability on the obligation, rather than to escape ultimate responsibility. The position taken by counsel for appellants is technical in the extreme, and in none of the assignments of error are we abue to discover any substantial merit.

They are all overruled, and the judgment is affirmed.

(95 At. Rep. 530.)

Authority of Cashier

WASHINGTON

Real Estate Taken by National Bank for Debt

Supreme Court of Washington, Oct. 8, 1915.

FIRST NATIONAL BANK OF KENNEWICK v. CONWAY, ET AL.

While an undisclosed principal cannot be held liable for a contract in the agent's name in case of a specialty, he may be held in the case of an ordinary executory contract for the conveyance of land; and hence, where it was claimed that a bank, and not the vice-president, was the real party to the contract for the acquisition of the land, evidence to that effect is admissible.

As Rev. St. U. S. Section 5137 (U. S. Comp. St. 1913, Section 9674) authorizes national banks to acquire real estate to secure debts due it, a national bank, which had loaned money to a corporation engaged in manufacturing brick, may, upon the insolvency of the corporation, acquire its business to protect itself from loss.

Where the directors allowed the cashier, who was the principal stockholder and thereafter became president, to assume complete control over a bank, the bank is bound by his acts in acquiring land for its benefit.

Where defendants claim that they acted merely as a dummy for plaintiff bank in acquiring land, and that was denied by the bank, papers constituting an escrow agreement, showing the real transaction as understood by defendants, who dealt with the cashier, are admissible. (151 Pac. Rep.)

ACTION by the First National Bank of Kennewick against Charles Conway and another, who counterclaimed. From a judgment for defendants, plaintiff appeals. Affirmed.

STATEMENT OF FACT AND OPINION

FULLERTON, J.: The appellant, the First National Bank of Kennewick, brought this action against the respondents Conway, seeking to recover upon two promissory notes, the one for $1,500 and the other for $1,000, and an overdraft of $302.98 which the respondents had incurred in their account with the bank. The respondents answered, making certain denials and setting up a counterclaim. The counterclaim arose out of a contract for the sale of real property. It was alleged that the bank entered into a contract with the respondents for the purchase of certain described real property, agreeing to pay therefor a price in excess of the amounts claimed to be due on the notes and the overdraft; that while for the convenience of the bank the contract was taken in the name of W. R. Amon, its vice-president, the contract was in fact the contract of the bank, entered into for its use and benefit, and that it was the sole and only party in interest therein, and judgment was demanded for the difference between the sum due upon the notes and overdraft and the amount of the agreed purchase price of the property. The allegations of the answer were put in issue by appropriate denials.

At the trial it developed that there was no issue between the parties to the amounts of their respective claims, but that the sole issue was whether the contract relied upon as a counterclaim was in fact the contract of the bank, and whether the bank was liable thereon, conceding it to be its contract. The issues of fact were tried to a jury, and the trial resulted in a verdict and judgment for the respondents.

The evidence developed at the trial and relied upon by the respondents to support a recovery was, in substance, this: In 1908 and from that time up to the entry of the judgment in the action, the appellant was a banking corporation doing business at Kennewick as a national bank. L. E. Johnson was at first its cashier and afterwards its president, holding his respective offices during the entire period. As cashier and president he was the banks executive officer, and the person through whom the public dealt when transacting business with the bank, In 1908 a corporation operating under the name of the Columbia River Clay Company was engaged in the business of manufacturing brick and other clay products at a place near Kennewick. Its plant consisted of the usual machinery used for such purposes, and was located on a 10-acre tract of land which the company had contracted to purchase from the respondents.

In the prosecution of its business the clay company had become indebted to the appellant bank in a sum approximating $5,000, and had assigned its interest in the contract of purchase to the bank, the bank holding no other security therefor. The contract contained clauses providing for its forfeiture in case of a default in the payment of any installment of the purchase price on its maturity, which forfeiture carried with it a forfeiture of all prior payments, and the materials, machinery and improvements which might then be upon the premises. In the fall of 1909, the company failed to pay an installment of principal due, and a forfeiture was declared by the vendors. This left the bank without security for the indebtedness due it from the clay company. Shortly after the declaration of forfeiture was made, Mr. Johnson, the then cashier of the bank, approached Mr. Conway, told him of the clay company's indebtedness to the bank, expressed his belief that there would be a demand in the near future for the company's products, and inquired on what terms the bank could purchase that part of the property described in the clay company's contract on which the improvements and brick-making plant was situated, further expressing the belief that if the bank could obtain such property, it could operate the plant at a profit and thereby recoup its losses caused by the advancements made to the clay company.

After some negotiations an agreement was entered into, by the terms of which the bank agreed to purchase the south half of the 10-acre tract for a consideration of $3,750, payable on or before three years after the date of the contract. When the contract was about to be reduced to writing, Mr. Johnson stated that there were legal objections to taking the contract in the name of the bank, and inquired whether it would be satisfactory to take the contract in the name of W. R. Amon, the then vice-president of the bank. Mr. Conway assented to this arrangement, and the contract was executed on January 3, 1910, as if between the respondents and Amon; the bank's name being nowhere mentioned therein. Concerning the transaction Mr. Conway testified in part as follows:

"At the time the contract was entered into this property was in my possession, and immediately upon the signing up of these articles it was turned over to the First National Bank. They have had possession ever since and are in possession now. I have no possession whatever. Since the execution of this contract they have manufactured brick there, and have taken brick away and built a railroad spur to it. They have removed soil and clay by manufacturing brick for two years, I believe; and as late as last April they disposed of clay to surface the base ball land, hauled it away three-fourths of a mile from the land, and are still removing brick occasionally. * * *

"When I transacted this business, I did not discuss it with Mr. Amon. I did all the business with the First National Bank and with Mr. Johnson, cashier. Mr. Amon has not had anything to do with it since the contract was made. I talked with Mr. Johnson about paying the amount unpaid on this contract about two weeks before the contract was finally due, which was January 3, 1913. Mr. Johnson sent for me to come to the bank to see him in regard to the matter. He never paid me royalty, as agreed in the contract, and has not paid me any cash on account of the contract.

"After they made brick there for a part of one season I went to Mr. Johnson for money on this royalty. This royalty was to be paid as the brick were made. They never made any statement of how many bricks they had made. Mr. Johnson explained the condition of the old people (meaning Neible, Coulson & Williams) and the heavy expense they were under, putting in machinery and hiring help, and had made no sales to speak of, and proposed that I give them a note and he would let me have what money I needed then, and as they began to sell brick he would credit it on these notes.

"I gave a note for $1,500 in August and a note for $1,000 the following January. When I gave these notes Mr. Johnson said they needed the notes to balance up their books in case of examination, and that if we needed more money to come in and they would finally give us royalty credit on the notes. Afterwards I had another talk with Mr. Johnson. He sent for me to come in. Mr. Johnson said: 'The anniversary of our brickyard deal is about here, and we are in no better shape to pay now than at the beginning. Isn't there some way that we can trade you a piece of land on this deal? And he named over different pieces of land that the bank had to take.

"I explained to him that we had all the land we could handle, and that it was impossible. We dickered and tried for a month, and finally came to the understanding. Mr. Johnson figured out the differences and placed them on slips, and the agreement we came to: He was to pay in cash the difference between the notes and what was due on the contract. If I would issue new notes and take up the old, he agreeing to reduce the interest on the new notes to eight per cent., the same as the contract drew, so that one account would offset the other, and leave the notes in the bank until we could dispose of the brickyard proposition, and with the money they would take up the notes. The amount would balance up, and they pay the $1,500.

"Mr. Johnson drew the escrow agree-

ment in January, 1913. I did not execute that escrow agreement, as there was a misunderstanding in regard to the clause in the contract on their part. In the contract, in selling the piece of land to the First National Bank, they agreed to put a ditch down through their land to take water from a piece of land we had above that to keep it from overflowing, and they had a ditch partially constructed, and contended that the ditch was completed, and the fact of the matter was it lacked about a foot and a half of being deep enough. I wouldn't dig the ditch. He figured up how we stood, how much they owed us, and how much we owed them. He wanted to put in notes for this amount and deposit it in escrow with a deed to this property."

On cross-examination he testified:

"The conversation that I had relative to the making of this contract in January, 1910, was with Mr. Johnson. I didn't talk with Mr. Amon about it at all. I never talked with Mr. Amon about it until some time in April, 1913. I didn't discuss the matter with him at the time he signed it. The first conversation between myself and Mr. Johnson was during the fall of 1909, before this contract was entered into. The matter was delayed, and it was threshed over a good deal before the contract was finally closed up. I got into possession of the land under the old contract after its forfeiture by serving notice on the First National Bank and the other three parties concerned.

"I actually took possession of the land and the stuff that was there by closing up the entrance to the fence all around, so no one could get in or out without tearing down the fence. After this contract was made, I delivered possession to the bank. I don't know anything about who went to making brick. I know whom I did my business with. I paid no further attention. I did my business with the cashier of the bank, Mr. Johnson. The land contract was made payable at the bank. * * * He never mentioned Mr. Amons name until we had come to an agreement. Then he explained to me that it was necessary to use the name of one of the officers of the bank; that it was not lawful for the bank to hold real estate; and he asked me if Mr. Amon's name would be agreeable, and I told him it would. That was all that was said until we came to sign up the agreement. And he called Mr. Amon into the private office and explained to him our agreement about using his name, and I signed the contract then and there."

There was a conflict in the testimony. Mr. Johnson denied much that was testified to by Mr. Conway, and, concerning the contract, testified that it was what it purported to be upon its face, a contract between the respondents and Mr. Amon, and that the nature of the transaction was fully understood by respondends. This conflict, however, was resolved by the jury in favor of the respondents, and in this court their findings must, of course, be accepted as conclusive.

The testimony of the respondent relative to the person with whom the contract of purchase was actually made was permitted to go to the jury over the objection of the appellant, and the action of the trial court in that behalf forms the basis of a number of the principal assignments of error relied upon in this court of reversal. It is argued that in this state a contract for the conveyance of real property must be in writing, and that to permit one party to such a contract to show that another party thereto is not the real party in interest therein is to violate that cardinal rule of evidence to the effect that a prior or contemporaneous parol agreement cannot be shown to vary the terms of a written instrument. But while the authorities are not in entire harmony upon the question, the prevailing rule is that a principal may be charged upon a written executory contract entered into by his agent in the agent's name, when acting within his authority, although the name of the principal does not appear in the instrument, and his interest therein was or was not disclosed to the other contracting party; and the rule applies also to those contracts which are

required to be in writing as well as to those where a writing is not essential to their validity. There are, of course, well-recognized exceptions to the rule. It does not apply, as its mere statement indicates, to specialties, such as the common law required to be under seal, or such as the statute requires to be executed with similar formality, of which deeds and mortgages of real property are examples. Nor does it apply to negotiable instruments, as persons "dealing with negotiable instruments are presumed to take them on the credit of the parties whose names appear upon them"; nor perhaps where special knowledge, skill, or some personal quality of the party is an essential ingredient in the contract; nor is such evidence admissible to discharge the agent who contracts as a principal, as such proof would vary the written terms of the agreement.

But, aside from these and perhaps other special exceptions, it can be shown by oral evidence that other and different persons than those named in the contract are bound by the terms thereof; this on the principle that the contract looks to the substantial party in interest, thus avoiding circuity of action, saving, at the same time, the rights of all of the parties.

The rule is stated by Judge Wolverton in Barbre vs. Goodale, 28 Or. 465, 38 Pac. 67, 43 Pac. 378, in the following language:

"The question is here presented whether it is competent to show, by parol testimony, that a contract executed by and in the name of an agent is the contract of the principal, where the principal was known to the other contracting party at the date of its execution. There are two opinions touching the question among American authorities—the one affirming and the other denying—but the case is one of first impression here, and we feel constrained to adopt the rule which may seem the more compatible with the promotion of justice and the exaction of honest and candid transactions between individuals. The English authorities are agreed that parol evidence is admissible to show that a written contract, executed in the name of an agent, is the contract of the principal, whether he was known or unknown; and the American authorities are a unit so far as the rule is applied to an unknown principal, but disagree where he was known at the time the contract was executed or entered into by the parties. All the authorities, both English and American, concur in holding that, as applied to such contracts executed when the principal was unknown, parol evidence which shows that the agent who made the contract in his own name was acting for the principal does not contradict the writing, but simply explains the transaction; for the effect is not to show that the person appearing to be bound is not bound but to show that some other person is bound also.

"And those authorities which deny the application of the rule where the principal was known do not assert or maintain that such parol testimony tends to vary or contradict the written contract, but find support upon the doctrine of estoppel, it being maintained that a party thus dealing with an agent of a known principal elects to rely solely upon the agents responsibility, and is therefore estopped to proceed against the principal. The underlying principle, therefore, upon which the authorities seem to diverge, is the presumption created by the execution of the contract in the name of the agent, and the acceptance thereof by a party, where the principal is known. Is this presumption conclusive or is it disputable? Without attempting to reconcile the decisions, we believe the better rule to be that the presumption thus created is a disputable one, and that the intention of the party must be gathered from his words, and the various circumstances which surround the transaction, as its practical effect is to promote justice and fair dealing. The principal may have recourse to the same doctrine to bind the party thus entering into contract with his agent. Parol evidence, however, is not admissible to discharge the agent, as the party with whom he

has dealt has his election as to whether he will hold him or the principal responsible. This doctrine must be limited to simple contracts, and may not be extended to negotiable instruments and specialties under seal, as they constitute an exception to the rule."

In Nash v. Towne, 5 Wall. 689, 18 L. Ed. 527, it is said:

"Where a simple contract, other than a bill or note, is made by an agent, the principal whom he represents may, in general, maintain an action upon it in his own name, and parol evidence is admissible, although the contract is in writing, to show that the person named in the contract was an agent, and that he was acting for his principal. Such evidence, says Baron Parke, does not deny that the contract binds those whom on its face it purports to bind, but shows that it also binds another, and that principle has been fully adopted by this court. Cases may be found, also, where it is held that the plaintiff may prove by parol that the other contracting party named in the contract was but the agent of an undisclosed principal, but in that state of the case he may have his remedy against either, at his election. Evidence to that effect will be admitted to charge the principal or to enable him to sue in his own name, but the agent who binds himself is never allowed to contradict the writing by proving that he contracted only as agent, and not as principal."

So, in Elliott on Contracts, at section 2849:

"Although extrinsic evidence will not ordinarily be received to vary or contradict a written instrument, such evidence may be admissible to charge an undisclosed principal, or one who, though disclosed, is not named in the instrument. The purpose of such evidence is not, however, to vary or contradict the contract or exonerate the agent, but to show who is the real party making the contract, whether he does so in his own name or that of another, and to give effect to the established rule of law that an undisclosed principal may, upon his disclosure, be held to a contract made in his behalf by an authorized agent."

Our own case of Brewster vs. Baxter, 2 Wash. T. 135, 3 Pac. 844, also announces the same rule. It was there held competent to show that a written contract of sale, executed by an executrix in her own name, was in fact executed by her in her capacity as executrix. See, also, Byington vs. Simpson, 134 Mass. 169; Sanger vs. Warren, 91 Tex. 472; Briggs vs. Partridge, 64 N. Y. 362, 21 Am. Rep. 617; Battey vs. Lunt, Moss & Co., 30 R. I. 1.

In this state executory contracts for the conveyance of real property, while required to be in writing, are not specialties, but are simple contracts, valid when signed by the parties to be charged, whether or not they are executed with the formalities required for the execution of deeds. Langert vs. Ross, 1 Wash. 250; Vail vs. Tillman, 2 Wash, 476; Baker-Boyer National Bank vs. Hughson, 5 Wash. 100; Anderson vs. Wallace Lumber and Mfg. Co., 30 Wash. 147; Bronx Inv. Co. vs. National Bank of Commerce, 47 Wash. 566.

It is also the rule that, if an instrument is valid as a simple contract, it partakes of the nature of a simple contract even though executed with the formalities required for the execution of a specialty. Stowell vs. Eldred, 39 Wis. 614.

From these considerations we think it follows that, in the present case, it was competent to show by oral evidence that the contract of sale in question, while ostensibly made between the respondents and Amon, was in fact made between the respondents and the appellant bank. Indeed, the rule which permits such a showing to be made is peculiarly applicable to the facts disclosed by the record. The negotiations leading up to the writing were had between the respondents and the bank's cashier and manager, the person whom its directors held out to the public as authorized to speak for the bank. All of the negotiations were conducted by him as the bank's representative.

He suggested the name of Amon as the other party to the contract only

after the negotiations had been concluded and nothing remained to be done other than to reduce the contract to writing. Even then he was not represented to be the real party in interest. On the contrary, the representation was that his name was used as another name for the bank, to avoid some supposed legal objection to the taking of the contract directly in the name of the bank. After the contract was executed the bank took possession of the property through its own agents. It has since applied the profits arising from such possession to its own use. Amon nowhere subsequently appears in the transactions. The notes given and the overdraft incurred for which this action is prosecuted, while ostensibly direct loans from the bank to the respondents, were in fact treated by the parties as advancements upon the purchase price of the land. Plainly to our minds it would be a denial of justice and fair dealing to hold that the respondents are prohibited from showing the real nature of the transaction.

But it is contended that the contract was one beyond the powers of the bank to make, and if the bank did undertake to make it, the contract was ultra vires and void. But, conceding that a national bank cannot buy or deal in real estate as a means of investing its funds, there is no question that it can take title to such property as a means of saving itself from apprehended loss caused by a mistaken or ill-advised loan. It is so expressly provided in the act under which it holds its charter. Revised Stat. U. S. section 5137 (U. S. Comp. St. 1913, section 9674). So it may, when it deems it necessary to take real property to save itself from apprehended loss, make all advances necessary to protect the title to such real property. Cockrill vs. Abeles, 86 Fed. 505; Upton vs. National Bank of South Reading, 120 Mass. 153; Holmes vs. Boyd, 90 Ind. 332. In the case from Massachusetts, this language was used:

"While it is not lawful for banking associations, established under U. S. St. 1864, c. 106, to purchase, hold, and convey real estate, except in certain specified cases, among these exceptions are included such real estate 'as shall be mortgaged to it in good faith by way of security for debts previously contracted; such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings; such as it shall purchase at sales under judgments, decrees or mortgages held by such association, or shall purchase to secure debts due to said association.' Under the latter clause it cannot be deemed that the only authority given to such associations is to purchase only to the exact amount of the debts which may be owing to them, but they are entitled to purchase such real estate as may be necessary in order to secure the debts due to them so long as the security of such debts is the real object of the purchase."

There was evidence in the present case from which the jury could find that the purpose of the bank in this instance was to protect itself from loss on an improvident loan. It had suffered a prior contractor for the purchase of this property to become largely indebted to it without other security than its interest in the property. The property was suitable for prosecution of a special industry, and had on it a large quantity of machinery making it immediately available for the prosecution of that industry. It was thought by the manager of the bank that if the property was acquired by the bank the industry could be prosecuted at a profit, and the bank thereby not only recoup itself for the advances made, but for the loss certainly to follow if it took no further steps in the matter. Under these circumstances we think it too much to say, however ill-advised the scheme itself may have been, that the bank acted beyond its powers.

Again, it is said that the transaction concerning the purchase of the real property in this instance was beyond the ordinary powers of a cashier and manager of a national bank, and that the burden was upon the respondents to show that he had authority from the board of directors of the bank to enter into the contract, which burden they

did not meet. But without entering upon a discussion of the general powers of a cashier of a national bank, who also occupies the position of its general manager, we think the record shows ample authority in the cashier in this instance to make the contract on behalf of the bank. It is conceded that at the time the contract was entered into:

"Johnson was cashier and chief executive officer of the bank; that as such he managed all the business of the bank ordinarily coming within the duties of a bank cashier, and that practically all transactions of the bank were under his general care."

In addition to this he was shown to be the principal stockholder of the bank, and the only person held out by the bank to represent it in its business transactions. He also represented the bank when possession of the land was taken after the execution of the contract, and represented the bank when the notes and overdraft sued upon were taken and incurred, and it was he that made the representations on the part of the bank, to the effect that the amount of the notes and the overdraft should be treated as partial payments upon the purchase price of the property when that obligation became due. Seemingly the conduct of the business, after possession of the property was taken over, realized no profits, but such income as there was from the business was collected and disbursed by the bank, and no part of the royalties reserved in the contract on the brick manufactured were paid over to the respondents. The powers of a cashier and manager of a bank must, of course, differ under different situations. Being the agent of the bank, his acts are governed by the general rules applicable to agents. If the directors of the bank intrust the entire management of the bank to such an officer, they cannot be heard to deny his authority to do any act which they might lawfully authorize him to do.

"Officers of banks are held out to the public as having authority to act according to the general usage, practice and course of business of such institutions, and their acts, within the scope of such usage, practice and course of business, bind the bank in favor of third persons having no knowledge of a limitation on their authority, and it is immaterial what the persons official position may be if he is actually engaged in the management of the bank's interests. If a bank does not wish the public to deal with any particular one of its officers at the regular place of business, in a particular line of that business, it is its duty so to notify the public in some effectual way." 3 R. C. L. 437.

Such, it seems to us, was the situation here, and we can but conclude that the cashier's acts were within the apparent scope of his authority, even if they were not within the actual scope.

It is objected that the court erred in permitting the respondent Charles Conway to testify concerning the escrow agreement hereinbefore mentioned, and in admitting in evidence the draft of the proposed escrow agreement and the sheets of paper used by the cashier in stating the mutual obligations of the parties and the balance due at that time to the respondent. But we think these instruments clearly admissible. It was denied, in the answer of the bank, that the obligation incurred in the contract for the purchase of the real property was the obligation of the bank. This testimony was admissible on that issue. It tended to establish the affirmative of the issue made by the bank's denials.

Other assignments of error are met by what we have said upon the principal questions discussed.

The judgment is affirmed.

151 Pac. Rep.

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

DATING A BANK BALANCE

South Bend, Ind., Feb. 17, 1915.

Editor Bankers Magazine:

Sir—Mr. Jones, a prosperous farmer of this community, has had a checking account in this bank for a number of years.

This account has been active up to October 22, since which time there have been no transactions either Dr. or Cr.

To-day, Dec. 17, he called on us and left his bank book for balance. The problem is this: Shall we balance the book and date the balance carried forward October 22 or December 17? Asst. Cashier.

Answer—Our judgment is that the book should be balanced as of the current date. We know of no banking rule or precedent which would warrant the balancing of the book as of the date of the last transaction.

FORGED CHECK—AVOIDING LIABILITY

San Antonio, Tex., Feb. 7, 1915.

Editor Bankers Magazine:

Sir—Please give me information concerning this subject:

"Under what circumstances, if any, may a bank avoid liability for the payment of a forged check?"

Yours very truly,

Asst. Cashier.

Answer—The general rule of law is that a bank is bound to know the signatures of its depositors and in the absence of negligence or fraud on the part of the depositor it cannot charge a forged check to his account, no matter how craftily the work may be done. The bank may, however, be absolved from liability where the payment has resulted from negligence on the part of the depositor, as for instance: a husband permits the wife to sign checks in his name, and learning she had signed some checks without authority fails to notify the bank; it was held that the bank was not liable for subsequent forgeries. (Neil v. First National Bank, 26 Ind. App. 503); but the mere fact that a depositor leaves his checkbook lying around does not constitute such negligence as will free the bank from liability, where checks are abstracted and funds collected thereon. The general rule of law regarding this matter is well stated in the case of Harter v. Mechanics National Bank, 63 N. J. L. 578, as follows:

"The relation between a bank and its depositor is that of debtor and creditor and the implied contract on the part of the bank is that it will disburse the money standing to the credit of the depositor only on his order and in conformity with his directions. When, therefore, it makes a payment upon a check to which the depositor's name has been forged, it must be held to have paid out its own funds and cannot charge the amount against the depositor unless it shows a right to do so *on the doctrine of estoppel or because of some negligence chargeable to the depositor.*"

In the case of Hardy v. Chesapeake Bank, 51 Md. 562, the court laid down this rule:

"There is no question of trust, therefore, between the parties but their relation is purely a legal one; and if the bank pays money on a forged check, no matter under what circumstances of caution, or however honest the belief in its genuineness, ***if the depositor himself be free from blame, and has done nothing to mislead the bank,*** all the loss must be borne by the bank, for it acts at its peril, and pays out its own funds and not those of the depositor. It is in view of this relation of the parties and of their rights and obligations, that the principle is usually maintained, that banks and bankers are bound to know

the signature of their depositors, and that they pay checks purporting to be drawn by them at their peril."

In keeping with the above, it therefore follows that only where the depositor has been negligent in some way that invited the fraud can the bank be freed from liability, and the question of negligence is one of evidence to be determined by a jury.

The Banker and the Community

A PLEA for close relation between the banks and the people was made in an address delivered before the convention of the Washington State Bankers' Association at Seattle, the speaker being Rev. A. M. Matthews, pastor of the First Presbyterian Church, of that city. He said, in part:

"The bank does not exist primarily for the purpose of making money for itself and its stockholders, but to promote the success of its depositors and borrowers. If the bank existed for selfish reasons only, then it would be a curse to society and a menace to the people's progress. If it existed principally to increase the dividends of its stockholders, then it would be a burden to the people. A twenty per cent. dividend means the rate of interest is too high or that the manipulations of the people's interests have created for them unnecessary burdens. The bank is entitled to the legitimate rate of interest. The stockholders should have a fair return on their money. However, these are the incidental returns to the banker and the stockholder. The bank does not exist fundamentally to produce these results. It is an indispensable factor in the business world; yea, it is a decreed agency for the convenience, progress and prosperity of all the people. It exists essentially for the sake and progress of others.

"The bank, therefore, has in a degree a benevolent protectorate influence over the people. It was never intended to be taskmaster, a cruel oppressor nor a thorn in the side of the body politic. Its altruistic spirit must be the prominent, over-mastering, permanent, magnetic spirit if it is to succeed and the people are to be benefited.

"The personal touch and incessant labor guarantee permanency and success in every department of life. You cannot take out the personal equation, personal touch, personal sympathy, personal interest, personal labor, personal sacrifice and succeed anywhere or in any line of business. If you could take sentiment out of business you would make it an iniquitous inquisition.

"The bank is not a machine; it is a human organism dealing with human society; exercising a benevolent protectorate over the feeble, defending the weak, encouraging the struggling, inspiring the faltering and driving to the highest pinnacle of success all with whom it comes in contact.

"You cannot be patriotic if you ignore the people with whom you deal and for whom you have been created a servant. Rub your shoulder against the shoulder of the butcher and baker. Take your place on the curbstone with the unfortunate and stand with the crowd being harangued by the soap-box orator. Take the people into your confidence and give the people your confidence. Listen to their heartaches and pour out to them your sorrows, burdens and complaints. You will find reciprocal sympathy and in that way perform your patriotic duty. Stand for everything that makes the community clean; fight for everything that makes the community pure; be willing to die for that which makes the community honest and righteous."

Opportunity

[Address of Elmer H. Youngman, Editor THE BANKERS MAGAZINE, at complimentary dinner tendered to the officers, directors and employees of the First National Bank of Jamaica, by W. H. Kniffin, Jr., Hotel Chelsea, New York, February 18, 1916.]

THERE is a much-quoted poem on this subject, which runs as follows:

> Master of human destinies am I!
> Fame, love and fortune on my footsteps wait.
> Cities and fields I walk. I penetrate
> Deserts and seas remote, and passing by
> Hovel and mart and palace, soon or late
> I knock unbidden once at every gate.
> If sleeping, wake; if feasting, rise before I turn away;
> It is the hour of fate,
> And those who follow me reach every state
> Mortals desire, and conquer every foe
> Save death; but those who doubt or hesitate,
> Condemned to failure, penury and woe,
> Seek me in vain and uselessly implore,
> I answer not, and I return no more.

The distinguished author of this poem—Hon. John J. Ingalls, long a Senator from the state of Kansas and at one time President pro tempore of the Senate and Acting Vice-President of the United States—has been criticised for the philosophy he expresses. It is said that opportunity comes not once, but often, and therefore that the main thought in these lines is false. I do not agree with this view. What Senator Ingalls doubtless meant was that life's really great opportunity comes but once, and that we should be prepared and ready to meet it when it does come. That supreme opportunity came to Caesar, and he crossed the Rubicon; to Napoleon at Waterloo, but he lost it; to Lincoln, and he wrote the Emancipation Proclamation; to Roosevelt, and he cut the diplomatic knot and gave us the Panama Canal.

These overwhelming opportunities may never be yours or mine, but to each of us there are presented every day of our lives minor opportunities of one kind or another, and the manner in which these are met will largely determine our readiness to meet the great opportunity should it come.

First, there is the opportunity of being courteous—not merely to strangers, or in the social circle, or among those whom we are especially desirous of pleasing, but to the father or mother, brother or sister, wife, child and friend; to employees on the part of employers, and fellow workers one with another.

The moneyed capital which a bank has is easily computed in dollars. But the capital it may obtain by practising kindness and courtesy to those who deal with it is immeasurable, infinite. This practice, like charity, should begin at home—in the bank—and is something that must be made habitual, for it cannot be assumed when you hang up your coat in the morning, and at night be left over for another day.

Next we have the opportunity of learning. When were the provisions for acquiring knowledge ever so numerous and rich as they are to-day? Libraries filled with books containing the accumulated wisdom of the ages; newspapers and magazines spreading before us every day treasures of knowledge from all quarters of the world; lectures, societies, clubs, art galleries, museums, schools, colleges, universities and educational facilities without end; and much of this glorious feast free, to be had merely for the asking.

And while acquiring as much general knowledge as you can, may I especially urge you to study the profession in which you are engaged. To familiarize yourself with its purely mechanical details is necessary, but it is hardly less desirable that you should know the broad principles upon which banking rests, and to understand what a bank really is and what service it renders to

the community. Study the new Federal Reserve Act; study it for yourselves, and see whether it conforms to sound banking principles. Upon the young men of the country rests the obligation of seeing that the United States has a banking system that will be an efficient servant of industry and trade. Properly to fulfill this obligation your own experience must be supplemented by study that will place at your command the experience of others.

And the opportunities for successfully engaging in business—for making money, if you please—were they ever so numerous as now? Man's wants have been multiplied by the spread of education and the increase of wealth, and the means of supplying these wants have been immensely increased by the development of mechanical ingenuity. Production and exchange offer a field for man's activities more alluring and fascinating, more romantic even, than the bloody battlefields on which men still contend for glory and for fame. Here in America to-day we need trained dependable men as never before. Opportunity with a thousand beckoning hands invites the young man who is alert, intelligent, industrious and honest. Our commerce, industry and banking are growing at an absolutely unprecedented rate. The part each of us may have in this development will bear a direct ratio to our thorough preparation and to the intelligence and energy we display in grappling with the many new, vast and complex problems before us.

We each have an opportunity to be patient, and not to fret over the cares and vexations of the day, but to meet them with a pleasant smile and a resolute spirit. The example of Mollie Fancher, confined uncomplainingly to her bed for fifty years, should not be lost on the restless and ambitious climbers of to-day.

We need patience in the face of the awful calamity now desolating the world; patience to hope and to believe that out of this desolation and great darkness will yet emerge a radiant light that shall forever hereafter illuminate the pathway along which humanity gropes and stumbles in its painful journey toward some nobler goal.

There is the opportunity for service—a word too often and too lightly on the lips of men. Service—not in a general, shadowy, indefinite sense; but concrete, helpful service to those about us who need it most.

And what a matchless opportunity to-day for the display of patriotism! To hold aloft the noble ideals of those who with splendid scorn defied the tyranny of old-world kings, and of those who gave their lives to make this a nation of free men. To give, if need be, the last full measure of our devotion to the republic founded by the fathers and thus far gloriously defended by their sons.

Finally, I commend to you the supreme opportunity of all:

> So live that when thy summons comes to join
> The innumerable caravan that moves
> To the pale realms of shade, where each shall take
> His chamber in the silent halls of death,
> Thou go not, like the quarry-slave at night,
> Scourged to his dungeon, but, sustained and soothed
> By an unfaltering trust, approach thy grave
> Like one who wraps the drapery of his couch
> About him, and lies down to pleasant dreams.

Date of A. I. B. Convention Announced

ROBERT H. BEAN, president of the American Institute of Banking, announces September 20, 21 and 22 as the dates for the fourteenth annual convention of the institute to be held in Cincinnati, Ohio.

This will follow very closely the convention of the Ohio Bankers Association to be held at Columbus, Ohio, September 12-14, and precede the forty-second annual convention of the American Bankers Association, to be held in Kansas City, Mo., September 25-30, inclusive.

Banking Publicity

Conducted by **T. D. MacGREGOR**

An Investment in Ink

By C. M. Davenport, Citizens Trust and Savings Bank, Los Angeles

THE secret of successful farming is becoming more and more a matter of intensiveness. Time was when the farmer's prosperity was measured by the number of acres under fence and cultivation. The ideal before most tillers of the soil of that day was to add acre to acre until his possessions were reckoned not so much by productivity as by sections and half sections of land. Regardless of high interest rates carried by an ever increasing number of mortgages, always resulting in a net loss at the end of the year, there was an insatiable desire to add to what was already characterized as land-poverty, thereby multiplying the burdens already too many and which made the life of the farm one of drudgery. Years of bitter experience have taught the lesson that success is to be found in getting out of 80 acres all it can produce rather than merely scratching the surface of 640 acres.

The principles of intensive farming have reclaimed many an abandoned New England farm and brought riches to the man who was willing to do the work intelligently and systematically.

There are hundreds and thousands of banks scattered throughout the land in identically the same condition as that typified by an old and non-productive farm. The growth of such banks has been so slow as to be practically a negligible quantity. A meagre crop of profits is harvested from year to year by merely scratching the surface of the soil. If this field were deeply subsoiled and modern methods applied in a campaign of intensive advertising the results achieved would startle the sober, sedate old gentleman who sticks his thumbs in his vest armholes and scorns the new school of bankers. The reason for this stagnation is to be found in the policy of dignified inactivity which characterizes many of our bankers.

A CONCRETE EXAMPLE

AS a concrete example of such banks, I might point to a certain institution in one of our Eastern cities. This bank has a name, which, if emphasized, would be an asset of untold value. A large capital places it in the category of the more important financial institutions of the city in which it is located. Its main banking quarters are in a magnificent building on one of the most prominent streets.

A substantial building on another busy corner houses the main branch or subsidiary. In addition to these two downtown plants not less than six branch banks located in well selected retail shopping centers and residence districts complete a combination that would appear to be well nigh perfect and one that should make it the peer of any banking institution in the city. In addition to this splendid equipment, it numbers among its directors many names prominent in commercial, social and political circles.

But strange as it may seem the deposits in this bank have not grown with the population nor kept pace with the commercial developments, which have been very marked.

The deposits have remained practically stationary for the past five years.

A CONTRACT

IN contrast to the lethargy of this bank, I might cite the case of another institution just two blocks away. The name is not at all euphonious and never can be made an asset with which to conjure new business. It has but one banking house and a board of directors whose names carry no more influence in the community than those on the first named board, and the capital stock is exactly the same.

Here the parallel ceases, for the latter bank is a center for an ever-increasing throng of satisfied patrons who flock its corridors from the time the doors are first flung open in the morning until long after the regular hour of closing in the afternoon. Five years ago the total deposits of this bank were $13,000,000, while today they show a magnificent total in excess of $21,000,000. In the same period of time the number of depositors has grown from 35,000 to approximately 60,000 and their number is increasing at the rate of about 2,000 per month, which not only overcomes the deficit of normal closures but continues to carry the total to a new high-water mark every succeeding week.

The reason for the marked difference between these two banks is patent to even the most casual observer, and it is simply this: One is pursuing the plan followed by the farmer of past generations, while the other is modern and up to date, following the most approved methods of intensive cultivation.

INTENSIVE CULTIVATION

ONE has spread out over a large area merely scratching the surface, while the other has sent the plow deep into the subsoil and has utilized the fence corners for extra planting, with the result that a rich harvest has been garnered.

The vital and fundamental difference which characterizes the administration of the affairs of these two institutions is due to the wise and persistent use of printer's ink in one case and the neglect of it in the other.

When John Gutenberg labored and toiled in secret in the deserted monastery of St. Arbogaste to perfect his then strange and suspicious invention, he little dreamed of the part his invention would play in all subsequent ages; that from his genius would evolve one of the greatest forces of the centuries, and that his name would be handed down to coming generations as one of the greatest benefactors of the race.

Were I asked to name the most potent factor in the world's marvelous development, my unhesitating reply would be "the printing press."

The recognition of the potency of this agency in modern business inevitably brings the rewards of success, and no where more surely and quickly than in the realm of finance.

DOES IT PAY?

THE answer to this question is so self-evident that the merest novice would hasten to reply in the affirmative. The aggressive bank referred to has on deposit $8,000,000 more than it had five years ago. Making a liberal allowance for the cost of doing business, including interest paid depositors, and figuring a conservative earning power for the money involved, we readily arrive at the conclusion that the net profits should be placed approximately at one per cent. or $80,000 per annum. This amount equals four per cent. income on the invested capital of $2,000,000. Five years ago this particular bank was able to pay annual dividends to its stockholders at the rate of six per cent.

This bank because of the above mentioned increase of working capital is today paying dividends at the rate of ten per cent. and all the time gradually adding to its earned surplus and undivided profits.

'Tis needless to say that the other

bank still holds to its old six per cent dividend rate.

To the great commercial enterprises known as department stores, the air currents set in motion by swiftly revolving printing presses are as the breath of life. To eliminate the advertising department from one of these vast emporiums would be but a preliminary step toward despatching a messenger for the commercial undertaker, and a notice to the probate court that the affairs of the deceased require the services of an administrator.

Many of the vast fortunes accumulated in recent years are due almost entirely to the eternal vigilance of shrewd press agents who have dipped their quills deep into the ink of publicity. The merits of particular commodities have been emblazoned on hillside and desert waste; from housetop and granite blocks beneath our feet silent messages are borne to us ever reminding us of what we are losing if we fail to eat, drink or wear, as the case may be, the special brand of tomato catsup, grape-juice, or shoes—and even after evening shades have gathered, electric signs flash a parting reminder lest we forget.

One of the most remarkable phenomena in chemistry is that which is known as "catalysis" or "action of presence." It is called "action of presence" because the mere presence of a certain substance among the atoms of another substance produces the most extensive changes upon these atoms. Thus, for instance, starch is converted into sugar and gum at a certain temperature by the presence of an acid which does not participate in the change. In the business world as in the sphere of chemistry there are certain principles that produce remarkable changes. Printer's ink, wisely and persistently applied, becomes the vital solvent that transforms a decadent institution into one of vigor and power.

To change the figure, many banks, and other organizations as well, are in an anaemic condition—depleted, run down and bloodless. For such a deplorable state intensive cultivation in the form of an active advertising campaign will prove to be the best tonic on the market and will multiply the red corpuscles in the business arteries, which alone can restore lost strength and confidence.

There are many fields open to the investment of banking capital, but the most prolific source of profits is a judicious investment in ink.

A 28-Year-Old Form Letter

Good Bank Advertising Is Not So Young After All

SOME of us upstarts who think that good bank advertising is only a decade or so old may derive profit from a perusal of the subjoined form letter sent out by the First National Bank of Montgomery, Ala., almost a generation ago. It is interesting to note that the A. M. Baldwin, who signed this letter as cashier is now president of the institution. The letter reads:

THE FIRST NATIONAL BANK OF MONTGOMERY

Montgomery, Ala., October 6, 1888.

Dear Sir—The First National Bank of Montgomery begs leave to call your attention to the little book herewith enclosed, giving some general information on the subject of banking business that may be of interest to its friends who are already depositors, as well as to those who may entertain the thought of opening a bank account.

The idea that banks are for the rich is a long-exploded fallacy; banks are distinctively for the people, and those communities are the most prosperous wnose people, of all classes, avail themselves of the banking privileges most generally. It is useless to dwell upon the habits of thrift engendered by the practice of depositing all moneys in bank when received, and paying all debts, large and small, by checks. No one begins to accumulate until he has opened a bank account, and the fact that it is a small one should be no discouragement to the depositor; the same courtesy is extended to all the patrons of the bank.

In selecting a bank the depositor's first assurance must be that of safety; the security it offers must be so complete as never

to give him a moment's thought. While the city merchant, through his personal knowledge of the management of different banks, may exercise a discretion, more or less accurate in his choice, the planter and the country merchant must look first to the laws under which a bank is organized, and next to the directors and officers who control it. The National banking laws furnish a safeguard as entirely free from risk as any system of banking ever devised; the danger to depositors is minimized, as they are protected by every guarantee that the Government can offer, employing as it does for this purpose special National bank examiners, and requiring sworn statements from each institution every few months; aside from this security, the officers and directors of National banks are liable to criminal prosecution, in the uncompromising Federal courts, for even a technical violation of the least of the National Banking laws.

As the perfect security of National banks cannot be questioned, there is no reason why the most cautious and distrustful should not transact all their business through this channel, and the First National Bank of Montgomery, the oldest in this state, except one, referring with just pride to its past history, and calling especial attention to its present strong board of directors, respectfully asks your patronage.

A. M. Baldwin, *Cashier.*

Save For a Ford

A FORD Automobile Club is the idea evolved by Treasurer Wilbur F. Beale, of the Dorchester Trust Co., Boston, to increase the savings deposits of his institution.

It is required that a person opening an account deposit $10 each week for thirty or thirty-five weeks, depending on whether he wants a runabout or a touring car. The bank pays interest on these deposits, and the money cannot be withdrawn until the expiration of the specified time. If then the depositor decides he does not want a car, the money and interest will be paid over. It will be paid over anyway, and if the car is to be bought, the depositor will take $300 or $350 to the garage which is working in co-operation with the trust company, and receive a car. The buyer can have as many extras and accessories as he wishes, and the car is delivered with the condition, backed by a clause in the bill of sale, that the buyer continue to deposit $10 a week with the trust company until the car and the extras are paid for.

EMPHASIZING THE LOCATION OF A NEW TRUST COMPANY

A Good Booklet

A VERY complete booklet is that recently issued by The Southern Bank and Trust Co. of Miami, Fla. It is a thirty-two pager, well written, illustrated and printed. It is occupied largely with the Florida Bank and Trust Co. laws, and its purpose is stated as: "To fully explain the powers and duties of trust companies doing business under the laws of the State of Florida, and to advise our patrons that this bank and trust company is, in every way, qualified to serve its patrons under the provisions of the law."

"Dark Ages" Is Right

A Backward Step Proposed in New Hampshire

THE chairman of the State Banking Commission in New Hampshire has informed the larger banks in that state that in his opinion if they would stop their newspaper advertising it would be beneficial to the smaller

banks which cannot afford to advertise.

Did it ever occur to Commissioner Lyford, we wonder, that small banks become large ones through advertising?

Commenting on this enlightened pronunciamento, a New Hampshire banker said that it sounded like "a voice from the dark ages."

Another Good Record

THE AVERAGE ATTENDANCE OF OUR DIRECTORS THE PAST YEAR WAS

14 Out of 17

ACTIVE, CAREFUL GUIDANCE

CORN EXCHANGE NATIONAL BANK
PHILADELPHIA
CHESTNUT AT SECOND STREET

THIS ONE SHOWS THAT THE DIRECTORS ARE ON THEIR JOB

Reasons for a Good Bank House Organ

CONVINCING reasons for a suitable bank house organ are:

1. It will give you a piece of advertising matter that people will be glad to receive every month.

2. It will enable you to advertise every service of your bank constantly and in ever-varying form.

3. It will give you a good excuse for cutting out worthless and non-productive advertising mediums—programs, calendars, etc., and concentrate your advertising efforts and expenditures.

4. It will increase your good will and the popular respect for your institution to issue a really high-class publication periodically.

5. It will enable you to make seasonal appeals, taking advantage of Christmas, New Year's, seedtime, Fourth of July, vacation time, harvest, Thanksgiving, etc., to turn the people's attention to your timely services.

6. It will make it possible for you to educate the rising generation in your community to become good bank depositors and customers later on. In at least one community house organs made for a local bank are being used by a school teacher as models of correct and effective English for his pupils.

7. It will enable you to supplement your newspaper, street car and other general advertising, because you will have more space at your disposal to advertise anything in greater detail.

8. It will give you a chance to boost any good local work or give your views on any matter that is uppermost in the popular mind—Good roads, better farming, new industries, trading at home, beautifying the town, etc.

Market Letter for Farmers

THE customary bank "market letter" is that issued by the big city bank and it deals with the big general movements to quite an extent. A more unusual message is that issued with its last-of-the-year statement by The First National Bank of Carrington, N. D. Its good suggestions to farmers run as follows:

1915 will long be remembered as a year of unusual prosperity in this locality. On farms, increased grain acreage returned big yields and excellent grades. Prices were high; even dockage being saleable, and farm profits being correspondingly greater. Cattle and hog prices ruled somewhat lower, yet, averaged well. The year closes with more and better livestock on most farms. Corn and alfalfa acreage increased. Merchants and dealers enjoyed an increased volume of trade with more cash and less credit sales. Collections have been good and general indebtedness much reduced.

1916 conditions are unrevealed. Lack of fall plowing indicates reduced crop acreage and lessened total yields. Idle lands will be summer tilled and much dormant foul seed destroyed. A more determined fight should be made against foul seeds and grasses. Increased sales of farm lands are looked for with improved prices. Loaning rates are easier. Reduced rates on time deposits predicted. A tendency to over sell, over buy, over loan, to over do is foreseen. Prosperity has come to us too suddenly. We suggest the wisdom of conservatism along all lines.

Credit should be reduced rather than ex-

THE PERSONAL ELEMENT IS EMPHASIZED IN THE ABOVE

panded and unnecessary debt wiped out.

Buyers should plan all expenditures carefully. Bankers must guard against speculative loaning and require sound security.

Remember good years are often closely followed by poor years.

The best investment is a debt paid. Prosperity is not in what you make but in what you save.

How Banks Are Advertising

Note and Comment on Current Financial Advertising.

THE cashier of a bank in a Northern city hit upon a good idea to advertise the safe deposit and storage vaults of his institution. In January, through the "society editor" of the leading local newspaper, he obtained a list of families that were going south or to California for a winter trip. Then he sent them a form letter suggesting the use of the storage vault for the safekeeping of the household silver, etc., during the absence of the family.

To help boost its city, The Home Savings Bank, of Toledo, O., prints illustrations and brief facts concerning leading local industries on the back of its statement folders. The Willys-Overland plant was used on the statement of December 31, 1915.

In order to make it easy for customers and friends to help the bank along, The First National Bank of Clarksville, Tenn., provides them with a book of identification cards. Cashier C. W. Bailey, in the form with accompanying the book, says: "People often ask you 'Where do you do your banking?' and 'Where should I open an account or rent a safe deposit box?' If you will just fill out and give them one of these cards in response to such inquiries, and recommend your friends to this bank, we will be very glad to extend them every courtesy and convenience at our command."

Some interesting folders are being used by The Guaranty Trust and Savings Bank, of Jacksonville, Fla. Among them "Good Management for Your Estate" and "A Plain Talk About Your Grandfather, Your Neighbor and You." They are unusually good trust and savings talks, respectively.

An unhackneyed idea is that used by the Rock Island, Ill., Savings Bank,

"One of the Deposits Is Worth Mentioning"

"The inventory of the estate of Walter W. Hodges, formerly of Brookline, shows that Mr Hodges was a most careful investor and evidently a firm believer in the wisdom of investing in the savings banks. His estate is valued at about $500,000 and the assets include deposits aggregating over $70,000 in more than fifty of these institution. One of the deposits is worth mentioning. When Mr Hodges was a boy, whenever he had saved a few dollars, he was accustomed to give it to his father, who deposited the money in a Providence savings bank. The deposits continued for some years, until 51 years ago the total amounted to $800. Mr. Hodges never drew from this bank any of the principal or interest, so that when the appraisers of his estate made their inventory they found over $2,287.55 had accumulated during the fifty-one years, all from an original deposit of $800."—The Banker and Tradesman.

There Is a Hint In This For YOU

Lynn Institution For Savings

Money Deposited Now Draws Interest from February First

HOW MONEY GROWS

early in January when local stores were advertising big price reductions. The bank said in its ad:

THE DISCOUNT SALES

now on at the splendid stores in Rock Island afford an opportunity for economy in purchases.

Deposit an amount equal to your savings at these sales in a Savings Account at this Strong Bank and have what you save: Try it—you will be pleased.

⊙

"Courtesy Corner" has been adopted as a slogan by the Security Trust and Savings Bank, Los Angeles, and the Fidelity National Bank, Spokane. Probably the idea will spread like wildfire and "courtesy corners" will be popping up everywhere, to mix the metaphor. This was the case with "The Bank of Personal Service," and "Safety First." Speaking of the latter expression, there is a "Safety First Trust Company" in a Western state. "Safety first" is all right, but it ought not to be "originality last" in bank advertising.

⊙

"Banking Before Sunrise" is certainly "going some," but that's what you can do at the Hellman Bank, Los Angeles, which advertises that it "opens at 7 o'clock Monday morning, does not close until 12 o'clock Saturday night."

⊙

Evidently believing in useful novelties, the Putnam Trust Co., Greenwich, Conn., gives out an anti-germ telephone mouthpiece disc, a bridge score card and a telephone directory card.

⊙

"These men pioneered the way for you," says The Cleveland Trust Co., on the cover of a vest-pocket-size booklet. Within, portraits and brief sketches of the late George M. Pullman, John Jacob Astor, Senator Elkins, Marshall Field, Chief Justice Fuller, Mayor Gaynor, Stephen Girard, Jay Gould, President Benjamin Harrison, J Pierpont Morgan and Joseph Pulitzer, all of whom trusted part of their property or made a trust company their executor.

⊙

Among banks that use a combination letter and circular to farmers are: The Chenango Valley Savings Bank, Binghamton, N. Y.; the Utica Trust and Deposit Co., Utica, N. Y.; the State Bank, Avon, N. Y.; the First National Bank, Beverly, N. J.; the Havre de Grace Banking and Trust Co., Havre de Grace, Md.; and the First National Bank, Port Jervis, N. Y.

⊙

"The Bank With Pep" is the slogan of a Kansas City bank with over $10,000,000 deposits. Come on, now, isn't there some "Bank with the Punch?"

⊙

Speaking of slogans, the Zions Savings Bank and Trust Company, of Salt

---

The Woman's Account

The National Bank of Commerce Valuos the Woman's Account Highly

A REASON for the particular favor with which this bank looks upon such accounts is because of the innate loyalty of women. As a rule, a woman regards her bank with the utmost confidence and friendship, and she is frequently instrumental in bringing to her bank business even more important than her own. She speaks well of the bank to her friends and neighbors, and this repays many fold the courtesy and attention extended to her.

The National Bank of Commerce maintains a writing and rest room with free telephone service for women customers.

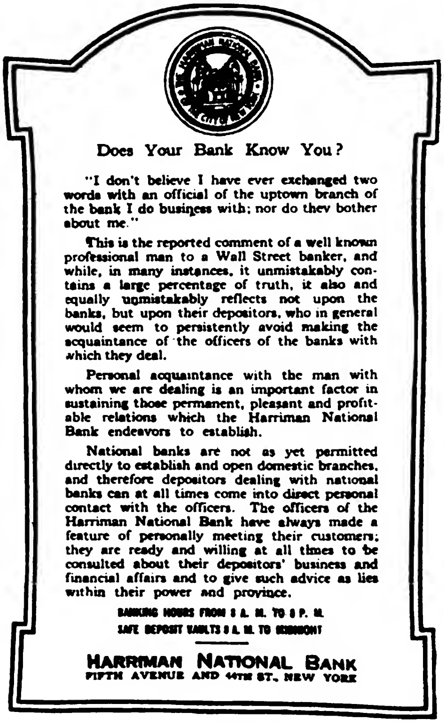
If a woman customer who is the Treasurer of any organization will make all payments by check, and deposit all funds received, in this bank, we shall be glad to show her how we can help "keep the books" and aid her in making her annual report.

Personal accounts, domestic or household accounts, accounts for funds awaiting investment, accounts of Society Treasurers, subscription organizations, and other accounts for special purposes are welcomed.

The National Bank of Commerce

In St. Louis

A STRONG PRESENTATION OF AN IMPORTANT FEATURE OF BANKING



THE "GET TOGETHER" IDEA AS ATTRACTIVELY PRESENTED BY THE HARRIMAN NATIONAL BANK OF NEW YORK

Lake City, says: "The sun never sets on our depositors." Right here, we imagine someone is going to rise and remark, irreverently and irrelevantly, that that reminds him of the retort of the Frenchman when the Britisher bragged that the sun never set on the British dominions, "Oui, he must keep his eye on ze rascals."

⊙

A good folder on "Mortgage Loans" is issued by the Miami (Fla.) Savings Bank.

⊙

Not forgetting that children have a habit of growing up, the Commercial National Bank of Raleigh, N. C., tries to get their good will by occasionally giving out advertising matter of interest to them. One of the latest was a "buzzer" consisting of circular cardboard disks of various colors to be rotated on a cord in the well-known manner.

⊙

The First National Bank of Omaha, Neb., and the Bank of Hattiesburg, Hattiesburg, Miss., are among the recent accessions to the ranks of the bank house organ users. "The First National Saver" and the "Bank of Hattiesburg Magazine" are the names of their publications.

⊙

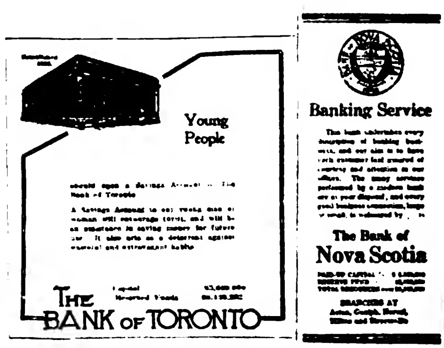
Knauth, Nachod & Kuhne, New York, issued a leaflet, "Are You Going South," to advertise their travelers' checks.

⊙

Good headlines of recent newspaper advertisements of the American National Bank of Richmond, Va., included these: "Self Defense," "Managing a Farm on Business Rules," "America First," "How One Boy Obtained a College Education." The 16th anniversary statement of this bank contained on the outside a beautifully colored picture of the bank's building and its surroundings.

Comment on Reproductions

THE two Canadian bank ads. reproduced show that banks in the neighboring dominion are not a whit behind banks in the United States in a realization of the importance of good

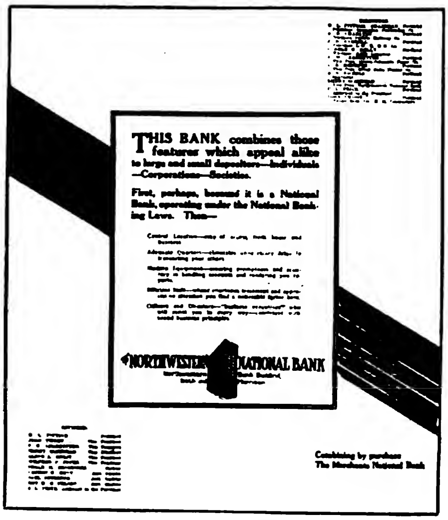


GOOD CANADIAN ADS

copy and a knowledge of how to get it well displayed. It would seem that the branch bank system in vogue in Canada ought to make for efficiency in bank advertising as a great deal of the copy can be prepared at the main office and "syndicated" to the branches in the form of electros or otherwise.

⊙

Occupying originally ten inches across four columns, the ad. of The Northwestern National Bank, Portland, Oregon, was a very striking one. Its arrangement is unique and shows the

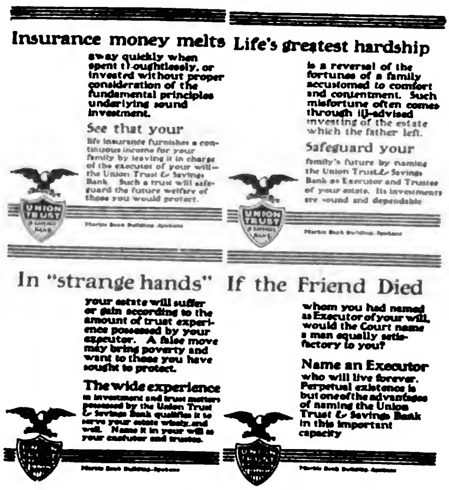


UNIQUE DISPLAY

benefit of a bank's getting professional advice, and co-operation in its advertising. W. S. Kirkpatrick, who is responsible for it, says: "This is a special edition advertisement. Copy for regular issues runs in space two columns by four inches and carry the same layouts and signature cut, with change of copy each issue. These appear four times each week in four daily papers."

⊙

In regard to the unusually well-displayed and well-written trust ads. of the Union Trust & Savings Bank, of Spokane, Carl W. Art, manager of the publicity department, says: "This style of display and the tone of the copy are the result of considerable study, and they are proving effective in stimulating the business of our trust depart-

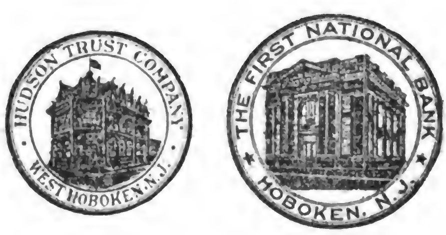


DISTINCTIVE

ment. The boldness of the headlines, the force of the short sentences and the limited number of words tend to make the advertisements easily readable, almost compelling the reader to give them consideration."

⊙

We are far enough away from Hoboken, N. J., to remark safely that there seems to have been a striking lack



TWEEDLEDEE AND TWEEDLEDUM

of originality on the part of one of the banks whose circular trademark emblems are reproduced.

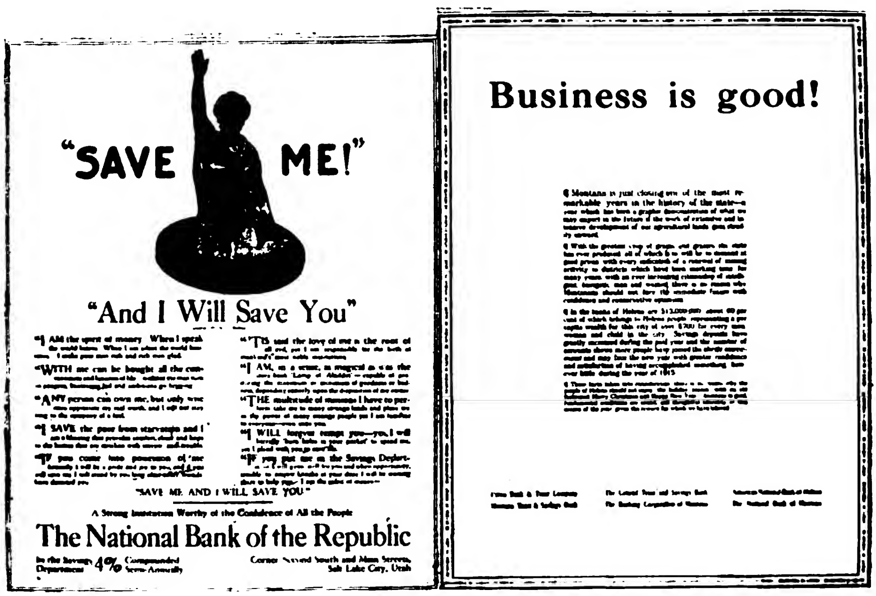
⊙

The reproduction of an apropos newspaper clipping with suitable markings

THESE WILL REPAY STUDY

is always a good advertising idea, and we have rarely seen it any better done than in the case of the advertisement of the Iowa Loan & Trust Co. of Des Moines.

The big bank ads. from the Salt Lake "Tribune" and the Helena (Mont.) 'Independent," respectively, occupied full page space and are both very striking. The "Save Me" one is a syndi-



TWO STRIKING FULL PAGES

St. Paul Dispatch

ST. PAUL, MINN., FRIDAY JANUARY 7 1916

ONE CENT IN TWIN CITIES

$1,000,000 IN NEGOTIABLE REVENUE STAMPS BANDITS' LOOT IN RECORD ST. PAUL ROBBERY

Yeggmen Blow Open Safe in Old Federal Building and Escape

Crackmen Cut Hole in Door of Strong Box With Drill, and Then Use Mirror as Periscope in Attempt to Turn Tumblers of Combination and Gain Easy Access to Government's Valuables With Small "Shot" of Explosive

SECRET SERVICE AGENTS SPREAD NATION-WIDE ALARM WITHOUT CLUE

"PREFERRED POSITION" FOR A SAFE DEPOSIT ADVERTISEMENT

cated affair and in some cities is being used as the opening gun of a community bank advertising effort. The "Business is Good" ad. was paid for by six banks in Helena and as a co-operative idea it is all right as a starter, but unless it is followed up regularly by similar united efforts of the local banks it would seem to be too much like the small boy who spent all of his Fourth of July money on one big firecracker. His celebration was soon over.

⊙

There is genuine human interest in the ad. of the Merchants National Bank, Cedar Rapids, Ia., headed "A Man's Wife."

⊙

Probably a great deal will be made of 1916 being the centenary of the American savings bank. The Burlington, Ia., ad. is the first one of the kind we have seen. It was used in January.

⊙

It is somewhat surprising that it is so dark a night in that Hellman Bank ad., what with such a big moon, but it certainly emphasizes the message it is desired to convey.

The Fargo, N. D., ad., "Locking the Barn Door," is a good illustration of the value of turning proverbial expressions to good advertising account. This is a splendid ad. typographically, too. The 4-rule border is good.

⊙

Through the quick thinking and acting of Cashier M. R. Knauft, the Merchants National Bank of St. Paul scored a beat on its competitors in an advertising way on January 7 last. On the morning of that day it was discovered that burglars had broken into the antiquated vault of the Internal Revenue office in St. Paul and had made good their escape with almost a million dollars' worth of negotiable revenue stamps. Mr. Knauft heard of it early and telephoned the editor of this department of the BANKERS MAGAZINE, who lives in St. Paul, to come over to the bank to get up an emergency ad. This was done and by paying forty per cent. above the regular space rates the advertisement headed "They Couldn't Have Gotten Into Our Vault" was run in two evening papers right next to the news story of the big robbery. It was the only bank advertisement in the paper that day. The next day several other banks appeared with

safe deposit ads., thus, to some extent, making up for having been "scooped" the day before.

⊙

An unusually well arranged "anniversary" ad. is that of the Second Ward Savings Bank, Milwaukee. It is a model for the bank ad. historical.

⊙

As a mark of individuality the Wachovia Bank and Trust Co. of Winston-Salem, Asheville, Salisbury and High Point, North Carolina, has recently adopted the trade-mark shown herewith. The cleverness of the emblem hardly needs an explanation as it speaks for itself, reflecting credit both on the institution and on the state in which it is located. The slogan "Oldest and Strongest Bank and Trust Company in North Carolina" individualizes the institution, and is a fact of which its officers, employees and friends feel proud.

The outline of the map of the state

60th Anniversary of the Second Ward Savings Bank

On December 26th, 1855, the Second Ward Savings Bank opened its doors in a modest little building on Third and Chestnut Sts.—shortly thereafter moving to its first home on its present site.

Its only asset was unswerving loyalty to straight-laced standards and ideals of integrity

Your grandfathers and grandmothers deposited their money in this bank because they believed in the men who founded it.

There were no clearing-house rules to abide by—the supervision of banks had not developed to the present day degree of comprehensiveness.

And never were these men weighed in the balance and found wanting.

Today the same old-fashioned ideals of integrity obtain in this modern bank of personal service.

In saving deposits it stands first in Wisconsin with over 28,000 individual depositors; more than any other bank in the state.

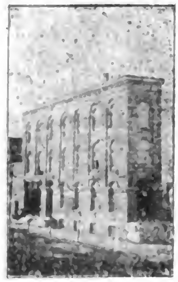
In commercial deposits it has made in three years time a gain of approximately 200%

The three offices of this bank are located for your convenience on the ground floor and it is easy to transact your business there.

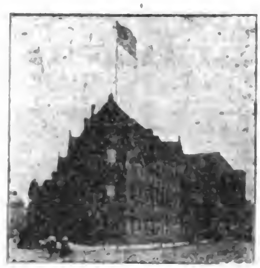
It is your bank.

Its Growth in Deposits

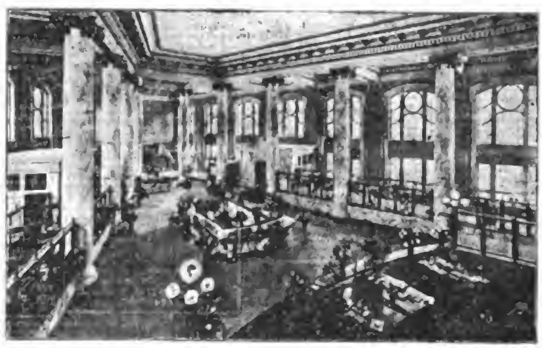
1855	$ 1,505.79
1860	40,379.61
1865	113,374.30
1870	458,506.00
1875	1,663,528.04
1880	1,978,725.17
1885	2,922,209.16
1890	3,915,756.78
1895	3,982,123.72
1900	6,229,036.74
1905	9,360,407.74
1910	10,156,730.01
1915	18,586,112.54



First Home
Third and West Water Streets



Second Home



New Main Office

THE BANK AD. HISTORICAL

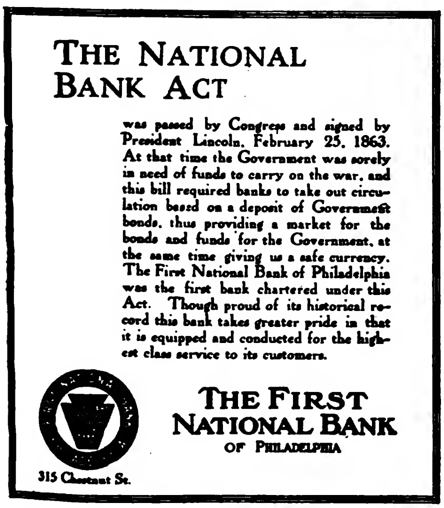
shows that the institution does a state-wide business in a state in which agricultural, commercial and industrial interests flourish, which are represented by the scenes displayed in the outline of the map.

This trade-mark was worked up at the suggestion of F. H. Fries, president of the institution, by Publicity Manager Hardee, the drawing having been made by the Baltimore, Maryland, Engraving Co. It is another example of a Southern bank that has become large enough to specialize and individualize its advertising efforts.

AN ATTRACTIVE TRADE-MARK WHICH SHOWS MARKED INDIVIDUALITY

⊙

An absolutely unique point appears in the reproduced advertisement of the First National Bank of Philadelphia. This was the first bank chartered under the National Banking Act, and in calling attention to that fact the title



THE NATIONAL BANK ACT

was passed by Congress and signed by President Lincoln, February 25, 1863. At that time the Government was sorely in need of funds to carry on the war, and this bill required banks to take out circulation based on a deposit of Government bonds, thus providing a market for the bonds and funds for the Government, at the same time giving us a safe currency. The First National Bank of Philadelphia was the first bank chartered under this Act. Though proud of its historical record this bank takes greater pride in that it is equipped and conducted for the highest class service to its customers.

THE FIRST NATIONAL BANK OF PHILADELPHIA

315 Chestnut St.

A GOOD COMBINATION OF HISTORY AND SERVICE AS TALKING POINTS

of the act is very properly used. But while the bank is proud of its historical record it "takes greater pride in that it is equipped and conducted for the highest class service to its customers."

Bank Advertising Exchange

Those listed herewith are willing to exchange booklets, folders and other advertising matter issued by them. Subscribers can get on this list free of charge.

Watch for new names and other changes.

F. R. Adams, Will Co. National Bank, Joliet, Ill.
American National Bank, Richmond, Va.
D. Ansley, care Central Trust Co., San Antonio, Texas.
Carl W. Art, manager publicity department, Union Trust & Savings Bank, Spokane, Wash.
A. F. Bader, publicity manager, City National Bank, Evansville, Ind.
C. W. Bailey, cashier, First National Bank, Clarksville, Tenn.
The Bankers Magazine, New York.
H. C. Berger, Marathon County Bank, Wausau, Wis.
E. L. Bickford, cashier, First National Bank, Napa, Cal.
R. A. Bradham, cashier, The Commercial & Savings Bank, Sumter, S. C.
D. R. Branham, 6252 Leland Way, Los Angeles, Cal.
Jesse E. Brannen, cashier, First National Bank, Westwood, N. J.
Bank of San Rafael, San Rafael, Cal.
E. M. Baugher, president, The Home Building Association Co., Newark, Ohio.
C. W. Beerbower, National Exchange Bank, Roanoke, Va.
H. C. Bollman, assistant cashier, First National Bank, Collinsville, Okla.
T. J. Brooks, cashier, The Guaranty Trust & Savings Bank, Jacksonville, Fla.
J. A. Buchanan, Guaranty Trust Co., Lancaster, Pa.
F. B. Bunch, cashier, Merchants & Farmers Bank, Statesville, N. C.
E. C. Burton, vice-president, Penn. National Bank, Chester, Pa.
Stephen L. Burwell, vice-president, First National Bank, Jackson, Miss.
A. Bush, Jr., Ladd & Bush, bankers, Salem, Oregon.
The Citizens Bank & Trust Co., Tampa, Fla.
Citizens National Bank, Oconto, Wis.
Commercial Bank, Midway, Kentucky.
Allan Conrad, Box 385, Port Huron, Michigan.
B. S. Cooban, 518 W. 62d Street, Chicago, Ill.
H. Reed Copp, assistant advertising manager, Old Colony Trust Co., Boston, Mass.
Arthur S. Cory, Chehalis National Bank, Chehalis, Wash.

David Craig, Tradesmens National Bank, Philadelphia, Pa.
M. Clarence Crowson, cashier, Home Banking Co., High Point, N. C.
Eugene E. Culbreth, Commercial National Bank, Raleigh, N. C.
Bradley Currey, c/o Fourth & First National Bank, Nashville, Tenn.
H. A. Dalby, Naugatuck Savings Bank, Naugatuck, Conn.
Dexter Horton National Bank, Seattle, Wash.
T. R. Durham, assistant cashier, Chattanooga Savings Bank, Chattanooga, Tenn.
W. R. Dysart, assistant cashier, First National Bank, Ripon, Wis.
J. C. Eherspracher, assistant cashier, First National Bank, Shelbyville, Ill.
A. A. Ekirch, secretary, North Side Savings Bank, New York City.
F. W. Ellsworth, publicity manager, Guaranty Trust Co., New York.
Hamilton National Bank, Denver, Colorado.
The Franklin Society, 38 Park Row, N. Y.
E. W. Finch, assistant cashier, Birmingham Trust & Savings Co., Birmingham, Ala.
First National Bank, Lead, S. D.
H. Gavere, asst. cash. of Scandinavian American Bank, Grand Forks, N. D.
B. P. Gooden, advertising manager, New Netherland Bank, New York.
J. W. Groves, advertising manager, Minnesota Loan & Trust Co., Minneapolis, Minn.
C. F. Hamsher, First National Bank, Los Gatos, Cal.
Victor F. Hann, manager publicity department The Fifth Avenue Bank, New York City.
J. W. Hansen, cashier, Citizens State Bank, Sheboygan, Wis.
D. L. Hardee, publicity manager, Wachovia Bank & Trust Co., Winston-Salem, N. C.
E. A. Hatton, cashier, First National Bank, Del Rio, Texas.
John R. Hill, Barnett National Bank, Jacksonville, Fla.
Jessamine G. Hoagland, publicity manager, National City Bank, Chicago, Ill.
N. M. Hokanson, State Bank of Chicago, Chicago, Ill.
Frank K. Houston, vice-president, Third National Bank, St. Louis, Mo.
L. M. Howard, vice-president, Continental Bank & Trust Co., Shreveport, La.
Indiana Bldg. & Loan Association, South Bend, Ind.
Charles D. Jarvis, c/o Savings Bank of Utica, New York.
W. L. Jenkins, Farmers & Mechanics Trust Co., West Chester, Pa.
Theodore Jessup, Woodlawn Trust & Savings Bank, 1204 E. 63rd Street, Chicago, Ill.
W. P. Jones, assistant cashier, First National Bank of Commerce, Hattiesburg, Miss.
W. R. Kay, Jr., advertising manager, Sacramento Bank, Sacramento, Cal.
C. B. Keller, Jr., assistant cashier, Stroudsburg National Bank, Stroudsburg, Pa.
Grover Keyton, New Farley National Bank, Montgomery, Ala.
M. R. Knauft, cashier, Merchants National Bank, St. Paul, Minn.
A. T. Kahn, vice-president, Commercial National Bank, Shreveport, La.
Henry M. Lester, National City Bank, New Rochelle, N. Y.
A. E. Lindhiem, assistant cashier, Scandinavian American Nat. Bank, Minneapolis, Minn.
L. W. Lovell, assistant cashier, The Lovell State Bank, Monticello, Iowa.
E. G. McWilliam, publicity manager, Security Trust Savings Bank, Los Angeles, Cal.
Ralph H. Mann, Park Trust Co., Worcester, Mass.
Charles S. Marvel, The First-Second Savings & Trust Co., Akron, Ohio.
H. B. Matthews, S. W. Straus & Co., Straus Bldg., Chicago, Ill.
J. H. McDowell, c/o American Trust & Banking Co., Chattanooga, Tenn.
Frank Merrill, advertising manager, The Northwestern National Bank, Minneapolis, Minn.
Will E. Morris, assistant cashier, Farmers & Merchants Bank, Stockton, Cal.
E. R. Mulcock, Commercial National Bank, Syracuse, N. Y.
Northwestern Trust Co., R. P. Sherer, vice-president, St. Paul, Minn.
W. W. Norton, Treas., Robbins Burrall Trust Co., Lakeville, Conn.
Old State National Bank, Evansville, Ind.
J. A. Overton, cashier, The National Bank of Smithtown Branch, Smithtown Branch, N. Y.
R. B. Parrish, cashier, National Bank of Commerce, Williamson, W. Va.
A. E. Potter, president, Broadway National Bank, Nashville, Tenn.
W. W. Potts, treasurer, The Federal Title & Trust Co., Beaver Falls, Pa.
John W. Pratt, Real Estate Officer, The Kennett Trust Co., Kennett Square, Pa.
Wm. J. Ruff, cashier, Luzerne County National Bank, Wilkes-Barre, Pa.
W. W. Russell, cashier, First National Bank, White River Junction, Vt.
George J. Schaller, cashier, Citizens National Bank, Storm Lake, Iowa.
Almot Schlenker, assistant cashier, First National Bank, Brenham, Tex.
Paul T. Schulze, assistant cashier, State Bank of La Crosse, La Crosse, Wis.
E. P. Simpson, Jr., assistant cashier, First National Bank, Toccoa, Ga.
Sioux City Trust & Sav. Bank, Ben W. Frieden, cashier, Sioux City, Iowa.
T. K. Smith, Jr., manager, Gimbel Brothers, Bankers, New York City.
J. G. Spangler, cashier, The Mesa City Bank, Mesa, Ariz.
F. E. Stewart, secretary and treasurer, Commercial Savings Bank & Trust Co., Toledo, Ohio.
T. H. Stoner, cashier, The Peoples National Bank, Waynesboro, Pa.
C. E. Taylor, Jr., president, Wilmington Savings & Trust Co., Wilmington, N. C.
A. C. Tonsmeire, cashier, City National Bank, Mobile, Ala.
Union Trust Co. of D. C., Washington, D. C.
F. H. Williams, assistant treasurer, Albany City Savings Institution, Albany, N. Y.
John W. Wadden, Lake County Bank, Madison, S. D.
Wessels Van Blarcom, assistant cashier, Second National Bank, Paterson, N. J.
C. C. Willson, c/o Continental & Commercial Trust & Savings Bank, Chicago, Ill.
Frank A. Zimmerman, Chambersburg Trust Co., Chambersburg, Pa.
Paul E. Zimmerman, cashier, Oak Park Trust and Savings Bank, Oak Park, Ill.

Industrial Finance Corporation

AT a special meeting of the directors of the Industrial Finance Corporation, held at the company's offices in New York on February 16, the full dividend accumulated at the rate of six per cent, on its issue of $1,000,000 of preferred stock was declared. This is the corporation which organizes and licenses local companies to operate The Morris Plan of industrial loans and investments. Thirty-one of these companies, now in operation in different states, have loaned over $13,000,000 to 108,000 people—an average of about $125 a loan. Clark Williams is president of the corporation, Arthur J. Morris, vice-president, and Charles H. Sabin, treasurer.

Book Reviews

A History of Banking and Currency in Ohio Before the Civil War. By Charles Clifford Huntington, Ph.D., Professor of Economics and Sociology in the Ohio State University. Columbus, Ohio: The F. J. Heer Printing Co. (Price, $1.50.)

IT would serve a most useful purpose if the early banking history of each state could be as fully and accurately set forth as Professor Huntington has done for the state of Ohio in this work, for there are many lessons in these early experiences that have been forgotten, and many errors that are being perpetuated in current banking thought, and some, it is regrettable to say, are still being enacted into law. We have, indeed, learned that banks should not be organized without capital—although even that monstrous fallacy in the early banking history of the country has been advocated as a part of the Federal Reserve Bank plan—but we are still, apparently, in this system laboring under the delusion that banks exist for the purpose of borrowing rather than of lending, though this is given by Professor Huntington as one of the "causes of failure of a majority of Ohio banks," (p. 119).

The book is divided into two parts, the first dealing with "Banking in Ohio Under Special Charters," embracing the period from 1803 to 1843, and the second with "Banking in Ohio Under General Laws," extending from 1843 to 1863.

Commenting on the close of the first period the author says:

"On January 1, 1843, the charters of thirteen of the Ohio banks expired,* and two more expired January 1, 1844, leaving only eight in the state. This closed the period of banking in Ohio with note issue based on general assets, and consequently one period of Ohio's banking history. During the period ending at this time the banks were organized by special acts of the legislature, which granted charters for specific periods of time. The system had proved unsatisfactory, not, however, because the note-issues were based upon general assets, but because of the practical defects of a lack of uniformity, a lack of any adequate provision for redemption, and the undue expansion of credit upon slender resources. These were errors commonly found in new countries. They were in large part due to the frontier conditions then prevailing in Ohio and most of the rest of the country. The economic development of the country was in an experimental stage, and the rules of sound banking had not yet been worked out even in the older countries of Europe, much less on the frontiers of the Ohio and the Great Lakes. A new country, as Ohio was at that time, poor in specie and in loanable capital, could scarcely be expected to avoid adopting monetary devices which under better conditions would not be tolerated. During most of the period distrust had been general, leading to inconvenience in business transactions. There being no security for note issue except general assets, when a bank failed its notes were usually worthless. The failures, however, were not always due to mismanagement. Often borrowers could not pay, and many times the banks were not able to realize on their property. Many of the banks had been organized for purely speculative purposes, and over-issue was

*Referring to the thirteen banks whose charters expired January 1, 1843, the Cincinnati Gazette remarked that they call up "the pleasing associations of honesty, sound currency, and general popularity"; that they redeemed all their notes ever issued; that all but one, the Commercial Bank of Scioto, promptly met their engagements, and most of them returned 100 cents on the dollar on their capital stock, and some much more. At least one of them, the Farmers and Mechanics Bank of Steubenville, did not suspend specie payment in 1838 and 1839—Bankers Magazine, 4:296, October, 1849.

frequent though by no means universal. The people of the state knew that something was wrong with their banking system, and note issue being the most prominent function of banks at that time, they concluded that the remedy lay in adopting a new system wherein the note issue should not depend on general assets alone, but should be secured by a safety fund or a deposit of bonds."

From this quotation it will be seen that even at that early day the principle of issuing notes on the general assets of the banks vindicated itself. Unsatisfactory experiences were not due to the employment of this principle, but to a lack of uniformity and to inadequate banking laws and supervision.

The second part of Professor Huntington's interesting historical treatise deals with "Banking in Ohio Under General Laws, 1843-1863." In this period there were two kinds of notes, those secured by a safety fund, and those by a deposit of bonds or stocks.

A most instructive description is given of the successful attempt made to establish a note-redemption agency, somewhat on the plan of the Suffolk Bank of Boston, and a valuable comparison is made between the State Bank of Ohio and the State Bank of Indiana. In the Indiana bank each branch was liable for the debts of every other branch—they were independent of each other as to assets, but were united as to liabilities. In the Ohio plan, the branches were responsible for each other only as to note issue, and here they were protected by a safety fund. Comparing the safety-fund plans of New York and Ohio, it is pointed out that in Ohio each bank made a contribution to the fund in proportion to circulation, while in New York the contribution was in proportion to capital, besides under the New York plan the safety fund was a guaranty fund for both notes and deposits, while in Ohio it was for the protection of the notes only. As the notes were virtually a lien on the assets of all the branches, and were receivable at par at all other branches—even the notes of a failed branch being thus protected—there was no depreciation of the notes. "It was through the operation of these two influences that the principle of immediate availability, as distinguished from that of ultimate security, was attained, whereby this system was distinguished from all others.

"In this respect the State Bank of Ohio was superior to the stock banks of the state, the latter depending upon the principle of ultimate security.

"The State Bank of Ohio gave the very highest satisfaction, and as a system adapted to the needs of the people at the time, was probably one of the best in the country."

This important historical testimony to the efficacy of a system of bank-note issues based on general assets, operating side by side with another system where the notes were specially secured by a bond deposit, and of the power of current redemption to sustain the value of the notes of a bank even after it had failed, should not be lost on those who are attentively studying American banking. They should compare the exceedingly elaborate provisions of the Federal Reserve Act designed to secure note issues with the exceedingly simple provisions to effect the same end found necessary in the case of the State Bank of Ohio.

Professor Huntington has presented much valuable information about early banking in Ohio, and the lessons of this experience are both interesting and of practical usefulness in determining our future banking legislation. Time does not change fundamental principles, though the means of applying them may differ with changing conditions.

National Issues of 1916. By Charles N. Fowler. (Price, $1.50.)

WHILE this volume deals largely with political matters, it will prove of great and vital interest to bankers because of a comprehensive chapter treating of "An American Banking System."

Mr. Fowler was for sixteen years a

member of Congress from New Jersey and was for eight years chairman of the Banking and Currency Committee of the House. He has given long, painstaking and statesmanlike consideration to banking and currency problems and the fruits of his laborious devotion to these vitally important subjects are found in the chapter referred to above. In fact, not since the days of Alexander Hamilton and Albert Gallatin has there been anything presented in the banking and financial literature of America so sound, so comprehensive and so absolutely and overwhelmingly convincing as the truths which Mr. Fowler clearly and logically sets forth in "An American Banking System." He deals with principles that have been tested and vindicated in the banking systems of the world, and in many states of the American Union, and of whose fundamental character there can now be no more question than of the immutable forces of nature themselves.

Of these principles we need name but three:

(1) That gold, and gold alone, is the only proper—indeed the only possible—form of money to be used as bank reserves if inflation is to be guarded against and Gresham's law not set in operation with all the ruinous consequences.

(2) That bank-note credits and bank-book credits are in character substantially identical; that they should be interconvertible; that both should be supported by an adequate reserve of gold, and both subject to the test of prompt redemption in that metal.

(3) That any banking system devised to meet the needs of American commerce and industry should be based upon American experience and should follow the lines of evolution as marked out by the development of our clearing-house system.

He finds that the Federal Reserve Act violates each of these fundamental principles:

(1) It provides a form of Government currency that will be available as reserves by state banks, thus violating principle No. 1.

(2) It does not provide for the automatic interconvertibility of book credits and note credits solely at the option of the man who wishes to use the credit, and who is the best judge of the kind of credit most convenient and serviceable to him, but sets up between the bank and its customer the intervention of a politically constituted board at Washington whose members, however wise and however well intentioned, can not possibly know the individual needs of the millions of people who daily deal with the banks, and that the Federal Reserve notes, being a form of Government currency, are not subject to daily redemption in gold through the clearings as bank deposit credits are and as bank notes should be; and therefore that these notes are in violation of principle No. 2.

(3) That the Federal Reserve System, instead of following the line of experience as expressed through our clearing-house developments, imposed upon the United States an alien and foreign system, disregarding to a large extent the natural lines of commercial and banking cleavage and setting up artificial lines, to the injury of many of the natural and legitimate financial and commercial centers of the country, thus violating principle No. 3.

Mr. Fowler does not stop with criticism of the Federal Reserve System, however. He proposes a comprehensive measure, the direct antithesis of it—one that would rest absolutely upon the three fundamental principles above stated, and which would unquestionably give us (what the Federal Reserve System never can give us because it is fundamentally wrong in principle and structurally foreign to our experience) a banking system that is in principle as solid as Gibraltar and in construction as suited to American needs as are the Constitution and the Declaration of Independence.

The man who has the genius, the courage, the honesty and the statesmanlike qualities to devise and present to

his countrymen a measure of this kind would be but fittingly honored by election to the Presidency of the United States, for he has performed a service of inestimable value to every man, woman and child in the country. There is nothing in our economic life whose right solution would more powerfully contribute to a widespread and permanent prosperity than a sound and efficient "American Banking System," and Mr. Fowler has shown exactly how it may be had whenever we want it.

TABLES FOR CALCULATING DOLLARS INTO STERLING. London: Effingham Wilson. (Price, 2s Net.)

THESE tables provide for calculating dollars into sterling at from $4.60 to $4.79 15/16 to the pound sterling in rates varying by 1/16, with a table showing decimals of £1 sterling. Owing to the fall in the value of the British sovereign in the United States there has arisen a demand for some tables dealing with the prevailing rates of exchange. These tables enable calculations to be easily worked out by moving the decimal point the requisite number of places to the right.

HEATON'S ANNUAL. The Commercial Handbook of Canada and Boards of Trade Register. Toronto: Heaton's Agency. Price, $1.25.

THE twelfth edition of Heaton's Annual has just appeared. There has this year been developed a section entitled "Where to Find It." This is practically an index to the more important contents of the Dominion and Provincial Government reports and standard publications relating to Canada.

As in previous years the Annual contains official, bank, insurance, and legal directories, postal information, cable rates, the complete customs tariff revised to date; a shipper's guide (covering every commercial town in Canada and giving the population, railways and banks), list of registery offices for deeds, chattel mortgages, etc., up-to-date descriptions of every town in Canada, exchange and miscellaneous tables, and a mass of valuable general information, from which cross references are given to the section "Where to Find It" for the benefit of those who want further information.

THE WAR OF STEEL AND GOLD: A Study of the Armed Peace. By Henry Noel Brailsford. New York: The Macmillan Co. (Price, 80 Cents.)

UPON finance the author places a large share of the responsibility for war. He says: "More and more finance is becoming the arbiter of war and peace; the master of despotisms, the unseen agent which might, by a bloodless intervention, check the ambitions of the world's rulers and relieve the sufferings of oppressed races." For a better maintenance of Europe's future peace, a continental European league is proposed.

President of New Philippine Bank

THE Philippine Commission has named H. P. Willis as president of the New Insular Bank, the founding of which, with a capital of $10,000,000, was authorized by the last Philippine Legislature. The salary fixed for the position is $12,000. Samuel Ferguson, formerly secretary to Governor-General Harrison, has been named vice-president and executive secretary of the bank, with a salary of $6,000. It is expected that the bank will open on July 1.

H. Parker Willis, named by the Philippine Commission as president of the recently authorized Insular Bank, at present is secretary of the Federal Reserve Board. It is understood he will obtain leave of absence to go to the

Philippines and organize the new bank.

Mr. Willis, who is forty-one years old and a native of Weymouth, Mass., has made a study of the Philippines, and is an economist of reputation. During the framing of the Underwood tariff bill he was consulted as an expert by the House Ways and Means Committtee, and later served in a similar capacity with the House Banking and Currency Committee, while the new banking law was being framed.

Death of a Distinguished Mexican Statesman and Banker

THERE died in New York on February 25 Señor Joaquin D. Casasus, former Ambassador from Mexico to the United States, a distinguished scholar and statesman and long and prominently identified with banking and public affairs in Mexico. He was for some years president of the Banco Central Mexicano, of Mexico City, and had written much on banking and monetary subjects. In the year 1909 he contributed a series of papers to THE BANKERS MAGAZINE treating in a comprehensive and able manner of "Mexico's Credit Institutions."

Señor Casasus was born in the State of Tabasco, Mexico, and received his education in the Universities of Yucatan and Mexico. He became a lawyer early in life and soon was prominent in Mexico, being appointed by the late President Diaz a delegate to the Military Congress at The Hague when twenty-eight years old. The prominent part he played in the legal and political life of Mexico led to his appointment as Ambassador to this country in 1905. After serving one term, Señor Casasus returned to Mexico City, but was again appointed, and remained here until the expiration of his term.

In 1911 President Diaz sent him to Washington as his special envoy and Ambassador extraordinary, and he succeeded in making financial arrangements of advantage to his country. When Señor Casasus returned to Mexico he found conditions there much disturbed and for a time lived in Europe, later coming to New York, where with his son he engaged in the practice of law. He was the author of six widely known books on money and exchange, and in addition had translated seven volumes of English classics into Spanish.

SEÑOR JOAQUIN D. CASASUS
FORMER AMBASSADOR FROM MEXICO TO THE UNITED STATES

Foreign Banking and Finance

European

LONDON NOT TO LOSE FINANCIAL PRESTIGE

SIR EDWARD HOLDEN, chairman of the London City and Midland Bank, stated in a recent address:

"I venture to say that, in my opinion, we shall not only not lose our financial position, but we shall greatly improve it, and our banking institutions will stand much higher in the estimation of the world than ever before.

"London has been and is at the present time the financial center of the whole world. Everyone wishing to understand the financial relationship of this country to the whole world must comprehend this statement.

"It has two meanings—one very simple and the other very complex.

"All countries in the past which have wanted to borrow money have generally found what they wanted in London, and whatever has been lent has been granted freely and with little restraint. Hence London has always been regarded as the center to which all requiring financial aid could come, and, as the whole world has come at one time or another, and London has held herself ready to lend to all comers on proper conditions, she has been designated by common accord the world's financial center. This is the one meaning of the statement which is simple. Thus she has in the following years lent to British possessions and foreign countries the respective sums of about

1910	....£189,000,000	1913	....£197,000,000
1911	 164,000,000	1914	 159,000,000
1912	 160,000,000	1915	 75,000,000

amounting to £944,000,000 sterling from 1910 to 1915, and we must not forget the large sums lent by the British Government to our allies.

"In consequence of the war, London's position is somewhat changed, and New York has come to the front as a great lender.

"England went into this war unprepared, except as regards her navy, while Germany had been preparing and perfecting her army for the last twenty to forty years, and during the last fifteen years had been creating a powerful navy, and had carefully provided everything necessary for carrying on the war.

"As to whether this country is to blame for not paying attention to the warnings received for years before the war is outside the scope of our consideration to-day, but if we compare the position of affairs now with the position of affairs twelve months ago, we cannot but be struck by the enormous amount of work which has been done not only by ourselves but by our allies.

"Russia, France, Italy, Canada, England and others have improved and extended old factories and built new ones for the manufacture of munitions of all kinds, and these munitions are being produced at the present time by the employment of every available hand who can be spared from other businesses. I would like at this point, however, to express my conviction that it is absolutely essential for us to retain such an amount of labor as is necessary to maintain our exports, otherwise the exchanges will fall and our gold will go. To start these factories, equip them with the accessories necessary for the manufacture of munitions, and to provide food and means of transport for the armies, enormous sums have been spent by ourselves and our allies.

"Of the allies, the credit of Great Britain stood the highest, and has been used to assist the credit of the other allied countries.

"The basis of our credit is the pound sterling, and wherever we purchase we

use the pound sterling. For example, all our Government contracts with America have been paid for by sterling. If we agreed to pay for purchases in dollars, then we have had to exchange sterling for dollars, or, in other words, we have had to buy dollars with the pound sterling.

"If the settlement of transactions took place in London, an order for payment would be given on the Paymaster General at the Bank of England. The firm receiving it would immediately get quotations from the foreign market here or in America for a cable transfer on New York for the equivalent amount of dollars to be paid in New York the same or the next day.

"If the settlement took place in New York, then the Government would have to obtain dollars either by selling sterling on London or by some other means.

"The £ sterling is a wonderful instrument. It is really the English sovereign, and the English sovereign has a minimum weight of 122.50 grains and a maximum of 123.274 grains. The foreign representatives of the sovereign are foreign bills of exchange, cable transfers and sight drafts, and the English representatives are checks, bills of exchange and bank notes. The foreign bills of exchange, cable transfers and sight drafts have hitherto financed imports and exports to and from this country, and very extensively the imports and exports of other countries. The English bill has been held in the portfolios of banks abroad as gold, because in non-war times, when the reserves of gold held by foreign state banks were allowed to flow without restrictions at the call of the foreign exchanges, and when gold freely flowed to and from London the sterling bill was (and is now) paid in gold in London if demanded.

"Now things are modified for a time. The imports and exports of all countries are deranged, and consequently gold is only flowing to London from our own possessions, which yield about sixty per cent. of the entire world's production, the output during 1915 from the Transvaal mines alone being about 39 millions sterling.

"Yet, notwithstanding the derangement of the whole of the exchanges between different countries, including those between this country and other countries, and also of the imports and exports of all countries, the English bank-note, unlike that of Germany, is payable in gold and therefore prices, although high here, are much lower than in Germany.

"Whenever the pound sterling falls below its gold value in any country the importer of goods into Great Britain has to give more for the goods imported from that country, consequently prices rise; on the contrary, the British exporter gets an advantage because if he ships goods, say, to America, he will receive payment in dollars, and in bringing his money home he gets more sterling for the dollars. Thus imports should diminish in consequence of increase of prices, and exports should increase, because the exporter not only gets his ordinary profit, but also a profit from the exchange. This should happen in ordinary times, but when a world-wide war is raging restrictions and impediments of all kinds prevent the free working of economic laws.

"What causes the gold value of the pound sterling to fall? When in any market the sellers of the pound sterling as represented by the foreign bill, cable transfer or the foreign check on London, are more numerous than the buyers,

then the sterling exchange falls. When exports are shipped from any country to the United Kingdom, the exporters are the sellers of exchange on London, and when exports are shipped from the United Kingdom to any other country, then the importers of that country are the buyers of exchange on London. But the importers of any country from the United Kingdom are not the only buyers. Anyone who has to send money to this country will be a buyer of exchange. Fluctuations in the volume of the imports and exports to and from this country are the main cause of the fluctuations in the exchanges. The imports in such times as these may largely increase while the exports may fall or remain stationary.

"The pound sterling has never had to carry such a load as at present. The imports into this country and into the countries of the allies, on account of their respective purchases of war materials, are enormous, and are all additional to the ordinary commercial transactions carried on by traders.

"In addition to paying for our own imports, we have assisted to finance the imports of our allies; consequently much larger amounts of the pound sterling have been offered for sale by our Government and private traders than were offered in pre-war times, and in accordance with the law of supply and demand the pound sterling has for the present gone down in value. The pound sterling is worth in gold 4.8665 dollars, but at the present time the exchangeable value in New York is about 4.77 dollars, a depreciation of 1.9 per cent; in Holland, it is worth in gold 12.107 florins, but the exchangeable value is about 10.86, a depreciation of 10.3 per cent.; in Spain it is worth 25.225 pesetas in gold, but the exchangeable value is about 25.07, a depreciation of about .6 per cent.; in Scandinavia it is worth 18.159 kronor in gold, but the exchangeable value is about 17.45, a depreciation of 3.9 per cent. Notwithstanding these temporary depreciations in the value of the pound sterling there are appreciations elsewhere. The pound sterling in Paris is worth 25.225 francs in gold, but at present the exchangeable value is about 27.97 francs, an appreciation of 10.8 per cent.; in Italy the gold value is 25.22½ lire, but the exchangeable value is 31.65, an appreciation of 25.4 per cent., and in Petrograd, £10 is worth 94.57 roubles in gold, but the present exchangeable value is about 160.50 roubles, an appreciation of 69.7 per cent."

LONDON BANKS SHOW LARGER DEPOSITS AND INVESTMENTS

THE position of eleven London clearing banks in aggregate deposits, acceptances, cash, money on call and short money, investments, and discounts and advances as shown at the end of 1915 and compared with the situation at the close of 1914 was as follows:

	1915.	1914.
Deposits	£752,344,000	£686,322,000
Acceptances	41,341,000	33,677,000
Cash	143,830,000	144,674,000
Call and short money	45,882,000	59,842,000
Investments	241,735,000	108,780,000
Discounts and advances	360,777,000	411,999,000

The increased deposits represent industrial activity. The increase in investments represents war loans purchased. One bank was not included in the statement because its year ends with

June. Its deposits are about £50,000,000 ($250,000,000).

LONDON JOINT STOCK BANK, LIMITED

AT the annual meeting of the shareholders of the London Joint Stock Bank, Limited, held in London on January 27, 1916, the directors reported a net profit for the year ending December 31, 1915, of £632,276 1s. 9d. Of this £265,000 was appropriated to depreciation in investments; £148,500 in payment of the interim dividend in July, 1915, at the rate of ten per cent. per annum (less tax); £148,500 in payment of a final dividend of 15s. per share (less income tax), being at the rate of ten per cent. for the full year. £70,276 1s. 9d. was carried forward to profit and loss new account.

UNITED COUNTIES BANK, LIMITED

AT the annual general meeting of the United Counties Bank, Limited, held at Birmingham on January 25, 1916, the directors submitted the following report to the shareholders:

"The directors have to report that after deducting current expenses, rebate on bills not due, paying income tax, and making provision for bad and doubtful debts, the net profit for the past year amounts to £194,604 12s. 4d., to which must be added £71,823 4s., the balance of last year's profit and loss account, making a total of £266,427 16s. 4d. for distribution.

"An interim dividend of 5s. 3d. per share (less income tax) was paid in August last, and the directors now recommend that a dividend of 5s. 11d. per share (less income tax) be paid on February 1 next, which, including the dividend paid in August last, is at the rate of £13 19s 2d per cent. per annum (less income tax) in accordance with the terms of the working agreement with Barclay & Co., Limited, which provided for a distribution at the rate of 11s. 2d. per share (less income tax) for the year. These payments will absorb £144,069 19s. 7d. and leave a balance of £122,357 16s. 9d., out of which the directors have placed £2,500 to officers' superannuation fund and paid the staff a bonus amounting to £10,186 19s., leaving a balance of £109,670 17s. 9d., which is carried forward to next year's profit and loss account.

"In order to make provision for depreciation of the bank's investments, a sum of £165,000 has been transferred from the reserve fund."

BARCLAY & CO., LIMITED

AT the annual meeting of the shareholders of Barclay & Co., Limited, held at London January 27, 1916, the

following report was submitted by the directors:

"The directors have to report that in accordance with the intention expressed at the extraordinary general meeting of the company held on November 5, 1915, they have decided to make a change in the financial year of the company so that it will terminate on December 31 of each year, instead of on June 30, as hitherto.

"In these circumstances the report now presented to the shareholders gives an account of the company's operations for a period of six months only.

"After payment of all charges, full provision having been made for bad and doubtful debts, the net profits for the six months ending December 31, 1915, amounted to the sum of £484,268 9s., to which has to be added the sum of £70,623 9s. 5d. brought forward from June 30, 1915, making a total sum of £554,891 18s. 5d., which has been appropriated as follows:

To reduction of premises and payment for buildings, £25,000; to investment reserve account, £250,000; to dividend of 4s. per share on 450,000 "A" shares, and 7s. per share on 450,000 "B" shares, being at the rate of ten per cent. per annum on the "A" shares and 17½ per cent. per annum on the "B" shares (less income tax) in each case, payable on the 1st proximo, £207,281.

DUTCH GOLD FUND IN NEW YORK

IT is reported that the Bank of the Netherlands has come to an agreement with the National Bank of Commerce of New York to establish a gold fund in New York to stabilize Dutch exchange.

The gold will probably be maintained in New York for the period of the war and it will be counted as a part of the Bank of Netherlands reserve. Bankers assert that this is the first time in its history that the Central Bank of Holland has kept any part of its reserve beyond the bounds of its own country. The amount of the fund to be established by the Bank of the Netherlands is not stated, but it is believed it will reach large proportions. The agreement entered into between the National Bank of Commerce and the Bank of the Netherlands is the outcome of the prevailing heavy trend of funds toward Holland and the difficulty of settling this international balance, resulting in a premium in exchange which severely penalizes Dutch coupon holders of United States securities and other creditors as well.

It is explained that the plan which the National Bank of Commerce is now bringing about makes it possible for holders of American coupons in Holland to avoid the exchange market altogether by depositing their coupons with their own bank, which will, in turn, take the coupons to the Bank of the Netherlands. The latter institution will then cash them, paying the face value on the par of exchange, less a nominal charge. The Netherlands Bank can treat the coupons as so much gold and issue its notes against them. The coupons will then be remitted to New York, where they will be collected and the proceeds passed into the gold fund.

AMERICAN PAPER MONEY PREFERRED TO GOLD IN ITALY

AMERICAN paper money in exchange for Italian paper lire in Italy brings about eight per cent. more than American gold. Americans coming to Italy will, therefore, find it to their advantage to bring paper money in preference to gold coin, and in addition will be able to take such money out of Italy, which can not be done with gold coin on account of the law forbidding the exportation or carrying of gold out of the country, which is rigorously enforced. Bank drafts enjoy a still higher rate than American paper money. A sight draft on a New York bank in dollars sells at the highest rate.

Australasian

CONDITION OF AUSTRALIAN BANKS

THE quarterly average returns to September 30 of the banks doing business in Australia and New Zealand show, as compared with the previous quarter, show an increase of £275,818 in deposits and an increase of £1,943,548 in advances. The increase in deposits is unusual at this period of the year, but appears to be due largely to movements in Government deposits, especially in New South Wales, where the Government account since the war began has been a widely fluctuating one. The following is a comparison of the principal totals with those for the corresponding quarter of 1914:

	September Quarter, 1914.	September Quarter, 1915.	Movement
	£	£	£
Deposits ..	180,406,720	193,135,919	+ 12,729,199
Advances, etc.	149,226,635	147,645,767	— 1,580,868
Coin and bullion .	40,821,770	38,016,515	— 2,805,255
Australian notes ..	5,737,652	24,612,776	+ 18,875,124
Total cash ..	46,559,422	62,629,291	+ 16,069,869

Asiatic

HALF-YEAR'S BANKING BUSINESS IN JAPAN

THE banking business in Japan during the latter half of 1915 was far from prosperous, states the Japan "Advertiser," of Tokyo. "The first-class banks," says the paper, "have reserves, or accounts carried over from previous years, or dividend equalization funds, and they are expected to maintain the same rate of dividends for the term, though under difficulty. As to the second or third-class banks, they are expected to make both ends meet by over-estimating the value of their securities."

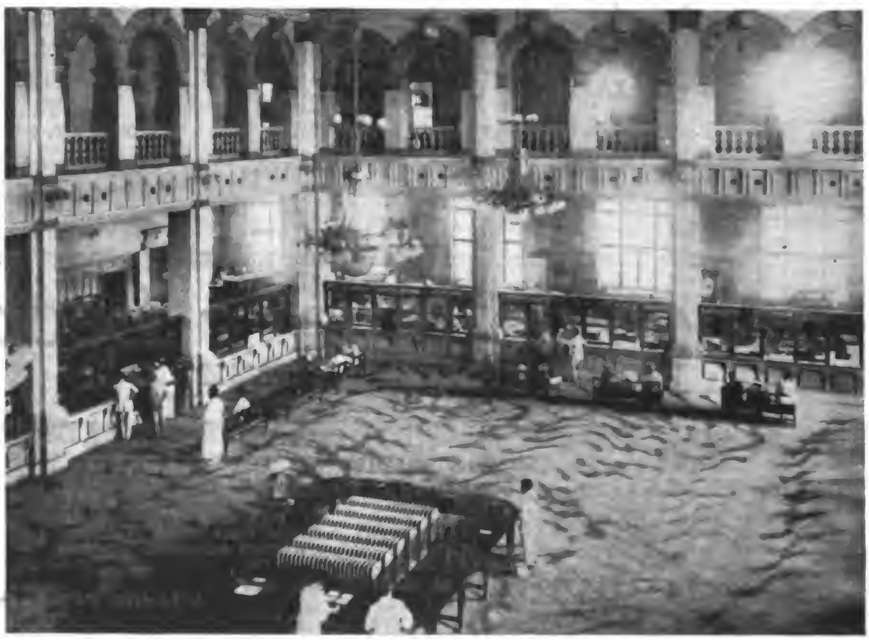
THE BANK OF CHOSEN

IN commemoration of the fifth anniversary of the Japanese administration in Chosen, the Bank of Chosen has issued a booklet showing the progress which the country has made during the past five years in agriculture, mining, manufacture, trade, traffic, banking, etc.

The Bank of Chosen, formerly called the Bank of Korea, was established in October, 1909, as the central bank of Chosen. The following year the country was annexed by Japan, and, in con-consequence, the bank was reorganized and renamed the Bank of Chosen. The capital is yen 10,000,000, of which 3,000,000 is subscribed by the Government. The bank does all kinds of banking business, including that of an ordinary commercial bank as well as that of a central bank, such as: handling of Treasury money, issuing bank notes, loans, discounting, deposits, exchange, purchasing of gold, etc. It has twelve branches in Chosen, two in

THE BANK OF CHOSEN, SEOUL, CHOSEN

Japan, and four branches and two sub-branches in Manchuria. Under its charter the bank was to receive, if necessary, a subsidy from the Government for five years dating from its establishment, but the progress of its business was such that only two years after its establishment it became independent of such aid. The annual growth of the bank is shown in the accompanying table:



INTERIOR VIEW OF THE BANK OF CHOSEN, SEOUL, CHOSEN

LIABILITIES

Year	Capital paid up & Reserve fund	Notes Issued	Deposits	Government Account	Loans & Bills payable	Due to other Banks, etc.	Total
	Yen	Yen	Yen	Yen	Yen	Yen	Yen
Dec. 31, 1910..	2,502,650	20,163,900	5,960,650	6,220,000	646,253	690,577	36,184,030
" 1911..	5,016,150	25,006,540	6,978,281	1,210,000	2,574,925	631,397	41,417,293
" 1912..	7,557,350	25,550,400	14,169,877	1,200,000	3,373,596	754,160	52,605,383
" 1913..	7,634,000	25,693,260	20,801,924	1,200,000	3,036,230	1,289,626	59,655,040
" 1914..	10,240,000	21,850,370	17,598,503	1,200,000	4,989,380	1,921,440	57,799,693

ASSETS

Year	Cash in Hand	Money at Call, Bullion, etc.	Bills Discounted and Advances	Investments	Due from other Banks	Bank Premises etc.	Total
	Yen	Yen	Yen	Yen	Yen	Yen	Yen
Dec. 31, 1910..	7,985,028	450,254	22,038,288	1,865,245	1,720,149	2,125,066	36,184,030
" 1911..	8,026,052	3,127,657	21,897,610	5,549,317	422,580	2,394,077	41,417,293
" 1912..	8,239,358	3,375,721	32,506,390	5,342,232	395,946	2,745,736	52,605,383
" 1913..	8,743,155	2,637,451	37,532,656	7,149,229	520,814	3,071,735	59,655,040
" 1914..	7,689,875	2,218,979	37,076,012	7,383,381	479,232	2,952,214	57,799,693

Latin America

INCREASE IN SOUTH AMERICAN TRADE

TRADE of the United States with South America in the year just ended will far exceed that of any earlier year. A compilation by the foreign trade department of the National City Bank of New York of the trade, country by country and month by month, for the year makes it apparent that the total value of the trade with South America will exceed 450 million dollars and will be fully 75 millions in excess of any earlier year. Imports from that grand division will considerably exceed 300 million dollars, while the highest record in any earlier year was 233 millions in the calendar year 1912.

Exports to South America for 1915 aggregated approximately 145 million dollars and were greatly in excess of 1914, and larger than any preceding year, except possibly 1913, when the total was 146 millions. The imports from South America are approximately forty per cent. more than last year, and the exports to South America approximately sixty per cent. more than last year.

The growth in exports to South America occurs in a very large number of articles. In agricultural implements, for example—in which the trade to

South America showed a heavy decline in 1914—the total for 1915 will be approximately three million dollars, against about two millions in 1914. Automobiles exported to South America in 1915 will show a total practically double that of 1914; coal three times as much in value in 1915 as in 1914; cotton cloths an increase of about fifty per cent.; binder twine four times as much as in 1914, while machinery manufactured of iron and steel, and leather all show large increases when compared with 1914, and in many cases higher values than in any preceding year.

The accompanying table shows the total value of trade between the United States and South America in each year from 1905 to 1915, as compiled by the foreign trade department of the National City Bank:

Calendar Year.	Imports from South America.	Exports to South America.	Total.
1905	....$144,990,099	$66,405,368	$211,395,467
1906	 147,941,781	78,822,379	226,764,160
1907	 147,680,943	85,612,408	233,293,351
1908	 132,431,434	76,597,335	209,028,769
1909	 193,202,131	83,509,838	276,711,969
1910	 189,466,248	100,303,616	289,769,864
1911	 187,456,104	121,736,304	309,192,408
1912	 233,731,935	138,944,930	372,676,865
1913	 198,259,005	146,514,635	344,773,640
1914	 229,520,375	91,013,339	320,533,714
1915*	... 320,000,000	145,000,000	465,000,000

*Estimate based on eleven months' figures for the entire country and December figures for the port of New York.

DOLLAR EXCHANGE UNITED STATES AND CHILE

THE practical use of dollar exchange in handling financial transactions between Chile and the United States has been brought about largely through the efforts of Leopold Frederick, director of the American Smelting and Refining Company and treasurer of the Braden Copper Company and Chile Copper Company. Mr. Frederick was able to secure the co-operation of the Chilean Government and official quotations for dollar drafts in Valparaiso have been established which later led to the inauguration of a regular trade in dollar exchange at Valparaiso and Antofagasta. This development in the use of dollar exchange in financial transactions with Chile is a hopeful augury of a more general use of dollar exchange in the handling of American business in all parts of the world.

PLANS OF MERCANTILE BANK OF THE AMERICAS

THE Mercantile Bank of the Americas is not establishing its own branches in Central and South America, but is making connections with existing concerns in those countries. Officials of the bank state that the field for the extension of its services lies in Central America and the northern Republics of South America. The Mercantile Bank of the Americas has made connections with banking institutions or bankers in Nicaragua, Venezuela, Costa Rica, and Honduras.

NATIONAL BANK OF URUGUAY

THE national bank of Uruguay (Banco Hipotecario) is authorized by a law of October 6, 1915, to issue bonds to the value of 5,000,000 pesos ($5,170,000). These bonds, to be known as series Q, are to bear six per cent. annual interest, payable quarterly, with the usual amortization service. Both interest and sinking fund are fully guaranteed by the Government.

PROPOSED COINAGE OF SILVER IN URUGUAY

THE President of Uruguay has recommended to Congress the passage of a bill providing for the coinage of 5,000,000 pesos ($5,170,000) in silver pieces of one peso ($1.034) and one-half peso ($0.517). Old coins of these denominations are to be retired and recoined. This amount is equivalent to 3.80 pesos ($3.929) per inhabitant, and it is estimated that it will be sufficient

for a number of years. The profits realized from the coinage—should the bill pass—are to be used for the improvement of roads and construction of public buildings.

BANKING CAPITAL IN COLOMBIA

THE Bogota Chamber of Commerce, in its study of the necessity of organizing or establishing new banks in Colombia with foreign capital, reports the following banks in the Republic with their paid-up capital:

Bogota:	
Banco de Colombia	$600,000
Banco de Bogota	500,000
Banco Central	2,300,000
Banco Hipotecario	600,000
Medellin:	
Banco de Sucre	1,000,000
Banco Aleman Antoqueño	800,000
Banco Republicano	200,000
Manizales:	
Banco de Manizales	140,000
Banco de Caldas	200,000
Tunja:	
Banco de Boyacá	40,000
Cartagena:	
Banco de Bolivar	500,000
Barranquilla:	
Banco Comercial	250,000
Cali:	
Banco Comercial	160,000
Pasto:	
Banco del Sur	500,000
Popayan:	
Banco de Popayan	20,000
Banco del Estado	20,000

This list shows a capitalization of $7,830,000, which the chamber considers inadequate for the proper banking business of the country. This does not include, however, many strong banks and private banking concerns, such as the Credito Mercantil and V. Dugand & Son, in Barranquilla, and El Banco Union, of Cartagena. It is probable, however, that the entire actual banking capital of Colombia (outside of commission houses doing a banking or exchange business in connection with their commission business) will not exceed $10,000,000 or $11,000,000, or about $2 per capita of the population.

AMERICAN BANK TAKES UP URUGUAYAN LOAN

IT has been reported that the National City Bank of New York, through its Montevideo branch, has advanced to the Uruguayan Government the sum of 625,000 pesos ($646,375 U. S. gold), at six per cent. interest, having discounted six-months' Treasury bills to this amount. This transaction was effected in pursuance of authority granted by the Uruguayan budget law, which empowers the Executive to nego-

tiate loans up to the sum of 1,000,000 pesos.

BANK COLLECTIONS IN PERU

THE Banco del Peru y Londres, the principal banking institution of Peru, has sent to its American clients the following memorandum, setting forth its reasons for not remitting promptly to the United States the proceeds of drafts which have been sent to the bank for collections, viz:

The difficulty in obtaining drafts on Europe and the United States at the moment of effecting a collection for account of some client abroad obliges us to credit the collection in a "provisional account" until such time as we may be able to obtain the necessary drafts with which to make remittance.

The demand for paper continues very much in excess of supply, owing, principally, to the general closure of credits and to the placing of money in the United States.

Our production is in considerable excess of our consumption, but unfortunately the crisis and consequent distrust withdraw from the market a large amount of drafts.

These difficulties are especially severe for this establishment, which has to effect collections for a very elevated amount.

What War Costs

WITH the stupendous British budget figures before all of us, says the New York "Sun," how many are there who remember the stupidity of world-wide assent to the argument that no general war in Europe was possible, because its devastating expense would restrain the nations from economic chaos? The facts as to the past, present and rising cost of the war sufficiently refute the folly of the argument.

Figures of expenditure are almost incomprehensible. The British people have been told by the Chancellor of the Exchequer that the national debt amounts to $11,000,000,000, or more than three times the debt before the war began. Apparently the total indebtedness of the principal contestants will have been raised from less than $25,000,000,000 to probably much more than $50,000,000,000. The daily cost of the war for Great Britain alone is approaching $25,000,000 and will go higher. Recent calculations favor estimates of a total daily war cost for the principal belligerents approximating $70,000,000, or about $25,000,000,000 annually.

What this means to the people of the belligerent States is suggested by the British budget projects to expand revenues. Income taxes are to be increased forty per cent., taking toll as high as one-third of the largest incomes and reaching down to the lowest. Increases ranging from thirty-three to 100 per cent. are to be levied in customs and internal revenue duties. According to the reckonings of the Exchequer the Government's revenue for the year will be about $2,000,000,000 as the result of the heavier imposts, or double last year's receipts, which were vastly more than normal.

How long will the warring countries be able to stand this strain? The history of the ante-bellum argument as to the financial preventives of war shows the unwisdom of assuming that the cost of the war will conduce to peace except as one side may break under the strain before the other. At the same time the futility of the financial argument against war has its encouraging aspect. The prophets who put their faith in it may be no worse confounded than the forecasters of a debacle of repudiation and age long economic catastrophe after the war.

Banking and Financial Notes

EASTERN STATES

New York City

—Representatives of the National City Bank and Guaranty Trust Co., together with representatives of other large American financial institutions and industrial enterprises, are among the incorporators of the American-Russian Chamber of Commerce in the City of New York, papers for which have been filed in Albany with the Secretary of State.

The purposes of the organization are to encourage and promote the economic, commercial and industrial relations between the United States and Russia, and to acomplish these objects the chamber intends to co-operate with the Russian-American Chamber of Commerce of Moscow for the purposes of an interchange of such information as may be useful in the establishment of mutually beneficial and friendly relations between the two countries.

Charles H. Boynton, of the New York Stock Exchange firm of C. H. Boynton & Co., is president. The office of vice-president is not filled, but it is the intention of the directors to select for this office a well-known industrial executive. Thomas B. Adams was chosen treasurer. The directors are: Samuel McRoberts, first vice-president of the National City Bank; Darwin P. Kingsley, president of the New York Life Insurance Co.; Charles H. Sabin, president of the Guaranty Trust Co.; A. Barton Hepburn, chairman of the board of the Chase National Bank; Frederick W. Allen, of Lee, Higginson & Co.; George McFadden, of Philadelphia; William J. Chalmers, of Chicago; Charles Sargeant, Jr., of Kidder, Peabody & Co.; Daniel G. Wing, president of the First National Bank of Boston; Hayden B. Harris, of Harris, Forbes & Co.; Charles Hayden, of Hayden, Stone & Co., and Charles H. Boynton.

—Senator Gilchrist has introduced in the New York State Legislature two bills designed to amend the banking law. The first of these measures (No. 181) provides for the reduction of reserve requirements of banks located in boroughs having a population of one million or over and less than two million. This applies particularly to Brooklyn banks. The other bill (No. 180) calls for the elimination of the restriction against loans being made to bank officers in cases where the bank

is located in the city of the first class.

Officials of the large state banks in Manhattan borough and in Brooklyn are said to be opposed to the reduction in the reserve requirement, although some of them are of the opinion that it might be well to change the law in respect to the requirements imposed regarding part of the legal reserves held on deposit with depositaries.

Many of the state bankers were interviewed regarding the proposal relating to restrictions of loans and expressed the opinion that bank officers should not borrow money from their own banks. They said that any banker with the proper collateral can obtain a loan from an outside bank.

—At the Hotel Chelsea, New York City, on the evening of February 18, a complimentary dinner was tendered to the officers, directors and employees of the First National Bank of Jamaica by W. H. Kniffin, Jr., vice-president of the bank. It was a "get-together" meeting, designed to talk over in an informal way the work of the institution, and to cultivate the spirit of co-operation between officers and employees. Brief addresses were made by the editor of THE BANKERS MAGAZINE, by Harold D. Greeley, Victor A. Lersner, Milton W. Harrison, F. B. Mullin and Mr. Kniffin.

—Herman D. Kountze, recently elected president of the Atlantic National Bank, succeeds Phineas C. Lounsbury, who has been made chairman of the board of directors. Mr. Kountze is widely known in banking circles both here and in the West, where he began his banking career with the First National Bank of Omaha, Neb.

HERMAN D. KOUNTZE
RECENTLY ELECTED PRESIDENT ATLANTIC NATIONAL BANK OF NEW YORK

Subsequently he came to New York as a member of the well-known banking house of Kountze Brothers. A little over a year ago the latter firm acquired an important interest in the Merchants Exchange National Bank, the title of which was recently changed to the Atlantic National Bank. At the time of the reorganization Mr. Kountze was made an active vice-president and member of the executive committee.

The Atlantic National Bank in its statement of January 11, 1916, showed total resources of $15,953,165.92 and deposits of $13,712,816.65. This bank has a capital stock of $1,000,000 and a surplus of $600,000.

—Rollin P. Grant, president of the Irving National Bank, has made the following announcement:

"Owing to the rapid growth of the bank's business, deposits having increased in the last three years from $43,000,000 to $82,000,000, and undivided profits, after the payment of dividends, from $231,000 to $843,000; and contemplating further expansion, our directors have induced Lewis E. Pierson, chairman of the board, from February 1 to devote all, instead of a portion, of his time to the affairs of the bank."

—A. Mitchell Hall, second vice-president of the Liberty National Bank, has been elected to the directorate of Lord & Taylor.

—Louis S. Tiemann, late of the firm of Carleton & Moffat, importers and exporters, has retired from that firm to associate himself with the American Exchange National Bank in the development of the foreign field.

—At the recent annual meeting of the Trust Companies Association of the State of New York the following officers were elected for the ensuing year: President, A. W. Loasby, president Trust and Deposit Co. of Onondaga, Syracuse; vice-presidents, E. P. Maynard, president Brooklyn Trust Co., Brooklyn; T. I. Van Antwerp, president Union Trust Co., Albany; Willard V. King, president Columbia Trust Co., New York; treasurer, M. N. Buckner, president New York Trust Co., New York; secretary, Frank E. Norton, president Security Trust Co., Troy.

For members of the executive committee to take the place of those whose terms expire: Seward Prosser, president Bankers' Trust Co., New York; Ray Tompkins, president Chemung Canal Trust Co., Elmira; E. C. McDougal, president Commonwealth Trust Co., Buffalo; J. M. Wile, vice-president Security Trust Co., Rochester; J. H. Case, vice-president Farmers Loan and Trust Co., New York.

—The quarters of the New York Trust Company are to be enlarged and remodelled throughout. Contract for the work has been placed with Hoggson Brothers, designers and builders.

The remodelling contemplates no change in the exterior design of the building, but the Trust Company has leased additional space on another floor of the same building for the accommodation of departments which will be removed in order to obtain the room needed in the main banking quarters.

The main banking floor is to be redecorated, rearranged, refurnished and equipped throughout. Every department and the public lobby will be appreciably enlarged.

The New York Trust Company was organized in 1889, and today has a capital stock of three million dollars. The present officers are Otto T. Bannard, chairman of the board; Mortimer N. Buckner, president; Frederick J. Horn and James Dodd, vice-presidents; Charles E. Haydock, treasurer; H. W. Morse, secretary; H. Walter Shaw, Arthur S. Gibbs, Montrose Stuart, Jos. A. Flynn, assistant secretaries; Harry Forsyth, assistant treasurer.

—At a meeting of the board of directors of the United States Mortgage and Trust Company, New York, held February 25, 1916, Joseph Adams, treasurer of the company, was elected vice-president, to succeed Carl G. Rasmus, resigned. Mr. Adams started with the company in 1902, serving in various capacities in the accounting and loan departments until his election as assistant treasurer in 1907. He was elected treasurer in 1909. Mr. Adams is also secretary of the United States Safe Deposit Company.

JOSEPH ADAMS

VICE-PRESIDENT UNITED STATES MORTGAGE AND TRUST COMPANY NEW YORK

Chauncey H. Murphey, who was elect-

ed treasurer, has been with the company since 1902, and served as branch manager previous to his election as an assistant treasurer in 1912. Mr. Murphey is also secretary of several reor-

C. H. Murphey
TREASURER UNITED STATES
MORTGAGE AND TRUST COMPANY
NEW YORK

ganization committees. He was graduated from Princeton in 1900.

Henry H. Thomas, manager of the company's 125th Street Branch, was elected an assistant treasurer.

Morton Waddell, former assistant manager at the company's 73rd Street Branch, was appointed trust officer.

—Carlisle & Co., 74 Broadway, New York, have prepared for free distribution a booklet entitled "Tungsten, Its Properties and Uses." It is very complete and contains extracts from the U. S. Geological Survey. In view of the present activity in the Tungsten market, it should prove most interesting reading.

—Before the Manufacturers and Business Men's Association on the evening of February 15, Frederick W. Gehle, of the Mechanics and Metals National Bank, made an address on "The Economic Aspects of the War, as Applied to the United States." He stated that the possible effects of the war were regarded from contradictory standpoints. One was that the European nations would be under the vital necessity of regaining lost commerce, which would lead them to undersell American manufacturers, not only throughout the world, but here at home. Another view was that with so many men dead and disabled Europe would not be able to command cheap labor, but will be compelled to pay high wages, thus cutting off the advantage which was in other years a determining factor in establishing Europe in the world's export market. Referring to these contradictory features, Mr. Gehle said:

"One prospect that you consider appears to contradict another. I know that some of the things I have indicated as possibilities contradict some other things I have indicated as possibilities. That simply shows the complexity of the subject under consideration. Yet it would appear that the place we are fixing for ourselves in the world will be maintained. Immediately upon the conclusion of peace, when war orders disappear and the cessation of the work of fabricating munitions of war throws thousands of men out of employment,

there will be in all likelihood a sudden and sharp dislocation of the industry of the United States. After that I anticipate a period of feverish activity, as the demand appears for material to build again the ruined cities, factories, railroads and bridges. Prosperous we shall be, but our prosperity may be irregular and spell hardship for some classes while bringing plenty to others."

—Fred W. Ellsworth, publicity manager of the Guaranty Trust Co. of New York, at Toledo, O., on Wednesday evening, February 2, addressed the members of Toledo Chapter of the American Institute of Banking on the subject of "Building the Business of a Bank."

In the course of his address he pointed out that in developing the growth of a banking institution there should be active and continuous co-operation on the part of the stockholders, who own the bank and are therefore keenly interested in its success; the directors, who supervise its operations; the officers, who are in direct touch with its daily routine; and the employees, who perform the actual physical work of the institution.

He emphasized the importance of intelligent, persistent, diplomatic personal work, which he stated is the prime factor in securing new business. As a substitute for, and a valuable complement to personal work, Mr. Ellsworth referred at length to the value of systematic newspaper publicity, and cited interesting specific instances of valuable concrete results obtained from this form of new business solicitation.

In conclusion Mr. Ellsworth said: "The banker should have no more difficulty in talking to the people of his town through the columns of the newspaper than he has when he talks with them orally face to face. And if he does this and continues it week after week and year in and year out, experience has proved time and again that his bank will grow and continue to grow."

—At a recent meeting of the board of directors of the Seaboard National Bank, Charles C. Fisher, formerly receiving teller, was appointed an assistant cashier.

—A. S. Frissell, for many years president of the Fifth Avenue Bank of New York, and recently made chairman of its board, has received from the clerks of the bank a gold watch and an engrossed memorial as a token of the good feeling existing between Mr. Frissell and the clerks. The presentation came as a surprise to Mr. Frissell, who without warning was called to the assembly room of the bank, where he found the entire staff gathered. Arthur Taylor, who has been in the employ of the bank since it started, in making the presentation said:

"Forty years ago a new bank was started in the residence district of New York. You were its first cashier. Begun as an experiment, it has grown and prospered amazingly. In the making of its notable history you have had an important part and have shared the high rewards. Now a new office has been

created, higher in rank than the presidency you have held so long, and we, your humbler associates in the work of the bank, find it a fitting occasion to express our regard for you and to tender to you a slight token of our esteem.

"We rejoice that in arriving at this new distinction no pride or elevation of spirit will mark your demeanor. Modest and unassuming always, you are one of those rare men whom success does not spoil.

"It is fitting that younger hands should now be called to help you and to learn the duties which some day you must lay aside, but we are glad indeed that you have decided to remain active among us, and we trust that many a long year may pass before we are called upon to say bood-bye to our friend, A. S. Frissell."

Mr. Frissell in expressing his thanks, said he appreciated the co-operation of the clerks, but more than all was glad to have worked with them, not only for the bank, but for the higher aim—their own cultivation and the elevation of their ideals.

Mr. Frissell represents the best type of American banker. He began his banking experience in Poughkeepsie in 1862. Later he entered the employ of the Importers and Traders National Bank of this city, and when the Fifth Avenue Bank was started, in 1875, he became its cashier. In 1885 he was elected president of the bank, which position he held until January of this year, when he was made chairman of the board. In 1907 he was chosen by Governor Hughes as a member of the commission to revise the banking laws of the state. He is a public-spirited citizen, taking an active interest in all matters relating to the public welfare, being especially interested in social service and education. He was for many years connected with the Civil Service Reform Association and became a member of the Board of Education under Mayor Low.

Mr. Frissell says he has no intention of retiring from active business, but in-

tends to devote all of his time to the affairs of the Fifth Avenue Bank.

—At a meeting of the board of directors of the Guaranty Trust Co., held on February 2, Albert H. Harris, vice-president of the New York Central Railroad, was elected a director.

—Albert H. Wiggin, president of the Chase National Bank; Seward Prosser, president of the Bankers' Trust Co.; Gates W. McGarrah, president of the Mechanics and Metals National Bank, and William H. Porter, of J. P. Morgan & Co., with their families, left New York last month for an extended vacation on the Pacific coast and Honolulu. The entire party went to the coast and Mr. Wiggin and Mr. Prosser will continue to Honolulu where the latter's brother resides.

Philadelphia

—The important part this city has played in the country's financial and banking history is thus tersely summarized in one of the city papers:

"Philadelphia occupies the most unique position financially of any city in the United States. One cannot disassociate the history of this country from that of Philadelphia. The first bank chartered by Continental Congress, in 1781, was the Bank of North America, located in Philadelphia. The first institution to transact a general trust business was the Pensylvania Co. for Insurance on Lives and Granting Annuities, chartered in 1812 and located in Philadelphia. The oldest savings bank in the United States, the Philadelphia Savings Fund Society, will celebrate its 100th anniversary this year. It has 286,000 depositors, with an aggregate of $125,000,000 deposits. The first bank in the United States to receive a charter under the national bank act was the First National Bank of Philadelphia. When the first United States Bank was organized, in 1791, and the second United States Bank, in 1816,

Philadelphia was selected as the logical city in which to locate them. The American Bankers Association was organized in Philadelphia in 1876, and the Pennsylvania bankers were largely responsible for its early success. The first building and loan association, the first United States postoffice, the first United States mint and the first stock exchange were all located in Philadelphia.

"Philadelphia was one of the twelve cities in the United States where a Federal Reserve Bank was located under the Recent Federal Reserve Act. During the country's direst needs in several wars it was Philadelphians who came forward and financed the Government. It was Robert Morris who gave $1,500,000 to clothe Washington's half-naked and half-starved troops; it was Stephen Girard who financed the war of 1812; it was E. W. Clark who financed the war with Mexico, and Jay Cooke, the Civil War.

"During the last year there were 138 national banks chartered in the United States; eighty-four were conversions from state banks and trust companies, and fifty-four were newly organized.

"There were sixty-five appointments of Philadelphia banks to be reserve agents for other national banks. These sixty-five appointments were divided among eleven banks."

—Plans for a twelve-story building, to be erected at the northeast corner of Thirteenth and Markets streets, are under consideration by the Colonial Trust Company, which owns and occupies the present structure at that site.

—The Franklin Trust Company, at the southwest corner of Fifteenth and Market streets, will erect a new building upon the site it owns at 20 and 22 South Fifteenth street.

—Charles P. Blinn, Jr., vice-president of the National Union Bank, Boston, has been elected vice-president of the Philadelphia National Bank. George F. Gentes, secretary of the Broadway Trust Company, New York, has been elected an assistant cashier.

Pittsburgh

—Pittsburgh bank clearings last month approximated $265,000,000, says the February letter of the People's National Bank, the largest January total ever reported and an increase of $60,000,000 over the same month last year. Bank deposits continued to increase, the January statements of the state institutions of the city showing an increase of $38,000,000 over the nearest corresponding date a year ago, and the largest total by the reporting

CHARLES P. BLINN, JR.

VICE-PRESIDENT PHILADELPHIA NATIONAL BANK

Mr. Blinn was born February 5, 1879, and started his banking career with the Third National Bank of Boston in 1898. In 1899 he went to the Eliot National Bank of Boston in a clerical position and in 1902 became paying teller of the City Trust Company of Boston at the time of its organization. In 1905 he became assistant treasurer of this bank and in 1908 became vice-president of the National Union Bank of Boston, which position he has just resigned to become vice-president of the Philadelphia National Bank. In 1912 Mr. Blinn was elected secretary of the Boston Clearing-House and still holds that position. In 1913-1914 he was president of the Massachusetts Bankers Association, having previously served as a vice-president and a member of its legislative committee for three years.

banks and trust companies. Despite the increased banking requirements, money remained easy. The abstract of the Comptroller of the Currency, showed that the national banks of the city of Pittsburgh at the beginning of the year held 24.97 per cent. of reserve against net deposits, as compared with fifteen per cent. required under the Reserve Act. Mercantile trade continued unusually active for the season, and in the aggregate is above the previous maximum.

NEW ENGLAND

Boston

—Boston savings banks, said Henry Parkman, treasurer of the Provident Institution for Savings, in a recent address, are transacting to-day a world-wide business. Thousands of depositors live outside Massachusetts, some of them even in Japan. One reason for this is that these banks have been in business so long that many depositors have gone away, leaving their money here; but many persons in other states have heard favorably of Boston banks and opened accounts. Of his own institution he said that, next to New York city, Los Angeles has the largest number of non-resident depositors with funds here.

—Alfred L. Aiken, governor of the Federal Reserve Bank of Boston, declared in a recent address before the Boston Life Underwriters' Association that "New England country bankers are the best bankers in the United States."

—Work has just been started on a modern bank building for the Eliot Five Cents Savings Bank, at Harrison avenue and Dudley street, Boston, to cost about $100,000. The architect is

Thomas M. James, 185 Devonshire street, Boston.

—In taking over the Paul Revere Trust Company, the State Street Trust Company, Boston, gains two more branches, making four offices in all. President Allan Forbes has announced that Charles F. Allen, formerly secretary, has been elected a vice-president; James Jackson, formerly of the Paul Revere Trust Company, becomes secretary and head of the Copley Square branch, and Wallace H. Pratt and J. H. Turnbull of the Paul Revere have been made assistant secretaries of the State Street Trust Company. The following directors have been added to the latter: Edmund Billings, Robert H. Gardiner, Jr., James Jackson, John F. Moors, Samuel H. Wolcott, Barrett Wendell, Jr., J. W. Farley, John L. Hall, William Minot, William M. Prest, B. Nason Hamlin.

The deposits of the State Street Trust Company are now about $25,000,000, having steadily increased to that figure from $7,854,739 in 1907.

—The National Shawmut Bank has issued a pamphlet on the Boston and Maine Railroad situation which is a careful study of the problems and conditions now facing this road. "With comparatively limited resources," says the pamphlet, "it has built up a railroad system which has been of enormous benefit to the industry of New England. The system cannot be resolved into its component parts without disaster to the whole northeast section of the United States. The community has more at stake in keeping the system together than have the security holders themselves. And yet how can the Boston and Maine be kept a unit unless it is allowed to earn enough to attract capital to the enterprise in a constant stream to meet the constantly growing demands?"

—The second anniversary of the merger of the Lincoln Trust Company with the International Trust Company, Boston, was celebrated by a dinner at

the Algonquin Club in Boston, February 14, which was attended by the officers and staff and many of the directors of the company. President Charles G. Bancroft presided. At the dinner President Bancroft was presented with a handsome desk set by the staff as a token of the cordial relations which have existed between them during the past two years. And indeed the growth of the company is largely attributable to the pleasant relations which have been established between the staff and the officers and the public. During the two years in which the company has been under the direction of Mr. Bancroft, its deposits have grown from $7,186,354.74 to $15,770,714.24. The savings department, which was opened in December, 1914, now holds deposits of more than $1,180,000.

—The National Union Bank has elected William S. B. Stevens, formerly cashier, vice-president, to succeed Chas. P. Blinn, Jr., who has recently become vice-president of the Philadelphia National Bank. Arthur E. Fitch, formerly assistant cashier, has been made cashier and John W. Marno assistant cashier.

—The Massachusetts Legislative Committee on Banks and Banking has considered two bills relative to the time when savings deposits shall go on interest. One provides that deposits shall go on interest on the first of the month following the date of deposit, and the other that trust companies shall not pay interest on deposits of less than three months' standing.

—At the annual meeting of the Metropolitan Trust Company, the retiring directors were re-elected. Courtenay Crocker, Frank P. Huckins, Edgar F. Powers and Walter P. Wright were added to the board.

—F. F. Partridge, formerly cashier of the Home National Bank of Holyoke, Mass., having been elected president of that institution, Louis Harvey has been made cashier and has taken up the duties of that office. Mr. Harvey was formerly cashier of the Eliot National Bank, Boston.

—Charles W. Bosworth having resigned as president of the Union Trust Company, Springfield, Mass., William E. Gilbert, formerly vice-president and treasurer, has succeeded him in that office. Joseph C. Allen becomes vice-president, William H. Haskins, treasurer, and Frank S. Burt, assistant treasurer.

—The Middletown National Bank, Middletown, Conn., which took over the Middlesex County National February 5, is now temporarily occupying the quarters of the latter institution pending the erection of a new building. The

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old building formerly occupied by the Middletown National is to be torn down and a handsome new banking house erected on the site, to be ready as soon as possible. The architect is W. P. Crabtree, New Britain, Conn. The deposits of the Middletown National Bank are now $1,500,000.

—On account of the retirement of Joseph Shattuck, as president of the Third National Bank of Springfield, Mass., Frederick Harris, formerly president, resumes the presidency, and Frederic M. Jones, cashier, becomes first vice-president and O. E. Doty second vice-president; George C. Stebbins is advanced to the position of cashier and H. S. Kaplinger becomes assistant cashier. The bank expects to occupy its fine new bank building about June 1.

—The Bridgeport (Conn.) Trust Company is now located in its new building on State street. The interior of the new bank building is most attractive. Tavernelle marble, Caenstone, bronze, glass and mahogany all combine in an artistic and harmonious ensemble. The floor is of Georgia marble, laid in square panels bordered by Fermosa marble. Grecian benches of marble are placed along the center of the lobby.

The burglar-proof vault is in clear view of the door, it being directly back of the center, and has an interior of ten by 30 feet. There is a club room provided for the male clerks and a rest room for the women clerks, which is equipped with electrical cooking apparatus.

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—Member banks in the Fifth Reserve District, responding to the offer of the Federal Reserve Bank of Richmond to buy in $2,000,000 of United States two per cent. bonds at par, plus interest, have forwarded to Governor Seay $1,346,000 in these bonds, which have been held by them as security for circulation. The transaction is of great benefit to the member banks, as they are allowed par value for these bonds, which could not be realized if they were placed on the open market.

While the Reserve Banks are not required by the Reserve Act to purchase these bonds before March 31, the Federal Reserve Bank of Richmond, in order to give the member banks of the Fifth District an opportunity to realize on these bonds at once, agreed to take $2,000,000 of the bonds as soon as sent in. As yet the member banks of the Fifth District have not availed themselves of the entire amount offered.

—J. M. Miller, III, paying teller of the First National Bank and a son of John M. Miller, Jr., vice-president of the bank, has accepted the position of cashier of the Pamlico Insurance and Banking Company of Tarboro, N. C. Mr. Miller will leave shortly to assume the duties of his position in the North Carolina city.

—P. L. Moore, exchange teller of the First National Bank, has accepted the position of manager and cashier of the Fulton Branch of the Church Hill Bank of Richmond. Mr. Moore has been with the First National Bank for a number of years, having worked himself up to his present official position.

—A deep-water canal from Richmond to West Point, or a double-track elec-

tric line equipped with the latest methods of handling heavy freight trains, is a problem now being considered by financiers of Richmond, and the proposition has gone so far that a bill has been introduced in the General Assembly providing that Richmond should acquire, by purchase or otherwise, a strip of land 300 feet wide, from Richmond to West Point and 500 acres of land at or near West Point, fronting on the York River, for terminal purposes.

The idea of securing the strip of land between Richmond and West Point is in line with that adopted by Los Angeles, Cal., in acquiring a strip of land to San Pedro, thus giving the inland city an ocean harbor and all the advantages which would naturally go with such an addition. The distance from Los Angeles to San Pedro is about thirty miles, while West Point is thirty-five miles from Richmond.

It is admitted by those who are behind the scheme that the project is in the embryo stage, at the same time it is conceded that it is one of the largest propositions that the commercial people of Richmond have ever considered and will be the greatest financial enterprise ever undertaken in the history of the city.

Richmond, as the home of the Federal Reserve Bank of the Fifth Reserve District, has acquired a national prominence in the financial world and if the deep-water port is added to its railroad transportation facilities, this city should prove to be one of the commercial cities of the South, if not of the entire country.

West Point has a sufficient depth of water to accommodate the largest ocean steamer, and the harbor is large enough to accommodate any number of vessels that might seek to do business there. The port also has the advantage of being open all the year, as the water never freezes and is not affected by the tides or a freshet.

The addition of a deep-water harbor would immeasurably increase the growth and importance of Richmond, and with such an addition to its commercial advantages would make this city as important a factor in foreign trade development as it now is in the development of the financial interests of the South.

In addition to the proposed plan to extend the corporate limits of this city to and probably include West Point, there is another important project now being carried out by the financial and business interests of Richmond, which is the building of a railroad from Urbanna, on the Rappahannock River to West Point. This will open up the rich and fertile peninsular valley, to the commercial advantage of Richmond, and add much to the business interests of the city.

—Bankers in Richmond and Virginia are heartily in favor of a bill introduced in the Legislature providing for a minimum charge of fifty cents for handling small negotiable notes. The argument of the bankers in favor of this minimum

charge, is, that it is just as much trouble to handle a note for $10 for thirty days as it is to handle a note for $1,000 for three months.

Unless the banks are allowed to make a small minimum charge for the handling of these small notes, they will refuse to discount them altogether and the borrower will be forced to go to the loan shark and pay a great deal more.

As an illustration of how much accommodation is granted by the banks on these small notes, one bank reported that more than 4,000 notes, on which the minimum fifty-cent charge was made, were handled last year. It will thus be seen to what an extent the demand is made for accommodation on small notes. It is understood that all the banks in the city handle a large number of small notes and these will be discontinued unless the law allows a minimum charge. The opinion prevails that the law will be passed by the present General Assembly.

—The Second National Bank of Parkersburg, W. Va., is now located in its handsome new home at the southwest corner of Seventh and Market streets. The building is two stories, the second floor being given over to offices.

—The American Bank and Trust Company of Savannah, Ga., is now located in its new home at Drayton and Bay streets. Construction of a suitable home had been contemplated for some time, and the building just completed represents the realization of this plan. The site was cleared for its erection in May of last year. The new building is in every respect admirably adapted to banking purposes. Its interior arrangement approaches the ideal, and the structure is handsome and commodious.

—Comptroller of the Currency Williams has announced the appointment of J. K. Doughton of North Carolina, national bank examiner, to the position of chief national bank examiner for the Sixth Federal Reserve District, with headquarters at Atlanta, Ga.

—An important recognition was recently made of the public services of Hon. R. G. Rhett, president of the Peo-

R. G. Rhett

PRESIDENT PEOPLE'S NATIONAL BANK, CHARLESTON, FOR EIGHT YEARS MAYOR OF CHARLESTON, AND RECENTLY ELECTED PRESIDENT OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

ple's National Bank of Charleston, S. C. Mr. Rhett, who served for eight years as mayor of Charleston, was made president of the Chamber of Commerce of the United States at the annual meeting held in Washington a short time since. He is one of the prominent citizens and bankers of the South, and has shown practical interest in commercial matters affecting both his own section and the entire country.

—It is now assured that the Morris plan of industrial loans and investments is to be put in operation in Chattanooga, through the organization of a local company with an initial capital of $50,000. The proposition has the backing of prominent citizens and stock is now being rapidly subscribed.

The following well-known business men have agreed to serve on the board of directors if elected by the stockholders: Charles A. Lyerly, Z. C. Patten, Jr., John Stagmaier, T. R. Preston, E. M. Williams, W. A. Sadd, Gaston C. Raoul, Edward Davidson, J. Read Voigt, D. A. Shumacker, F. L. Underwood. Subject to confirmation by the board of directors, it is proposed that Gaston C. Raoul serve as president and John Stagmaier and Z. C. Patten, Jr., as vice-presidents. The selection of a manager who will probably hold the office of secretary and treasurer will be left to the board of directors and the executive officers.

Texas

—The Wharton National Bank of Wharton, Texas, closed by order of the Comptroller of Currency several months ago, has reopened and incorpo-

PERSPECTIVE FOR THE NEW BUILDING FOR THE PEOPLES BANK AT HARRISONBURG, VA.

Work will be started shortly. An up-to-date banking room will occupy the entire first floor, exclusive of the public hall for the use of the tenants occupying the four stories above the bank. The exterior will be finished in Indiana limestone and face brick the effect of which will be handsome in every respect. The architect is Alfred C. Bossom of New York.

rated with a capital stock of $30,000 and and surplus $3,000.

The new board of directors are: A. A. Mullins, Tom Brooks, E. Hawes, Sr., Donald Duncan, M. S. Floyd, T. Gordon, G. A. Harrison, George H. Worthington, J. A. Robertson, Galveston; H. J. Schley and R. B. Huston. The officers are: A. A. Mullins, president; Tom Brooks, first vice-president; E. Hawes, Sr., second vice-president; R. J. Wright, cashier.

The total amount of assets is given at $368,541.26, with $264,789.88 in actual cash in the vault.

WESTERN STATES

Chicago

—The National Bank of the Republic of Chicago has issued another pamphlet of the series entitled "The Wealth of

America." The present pamphlet takes up the special topic of cereals.

—Greenebaum Sons Bank and Trust Company of Chicago has been admitted to membership in the Chicago Clearing-House Association.

—E. P. Ripley, president of the Atchison, Topeka and Santa Fe Railroad Company, has been elected to the directorate of the Chicago Title and Trust Company to fill the vacancy caused by the death of Marvin A. Farr.

St. Louis

[*By a Special Correspondent*]

—Since the deposits of the National Bank of Commerce are now considerably above $50,000,000, the "Fifty Million Dollar Club" which that bank had organized among its staff has been dissolved, or rather merged into the "Sixty Million Dollar Club." It is intended to push along steadily until the bank has sixty millions of deposits, when a new mark will doubtless be set.

Deposits are now around $51,000,000, representing an increase of $10,000,000 since last November. At the present rate of growth it is expected that the bank will soon reach a point of primacy among the banks west of the Mississippi River.

—Several changes in the official staff of the Mississippi Valley Trust Company were made at the regular board meeting on February 9.

This was the first meeting of the company's board following the annual stockholders' meeting, at which William Bagnell, Eugene H. Benoist, David R. Francis, Fred. C. Orthwein, J. Sheppard Smith, R. H. Stockton and Louis Werner were re-elected directors for three-year terms.

Among the officers elected at the

William M. Fitch
VICE-PRESIDENT AND FARM LOAN OFFICER
MISSISSIPPI VALLEY TRUST CO., ST. LOUIS

board meeting were three new vice-presidents. They are Wm. M. Fitch, farm loan officer of the company, who becomes vice-president and farm loan officer, R. F. McNally and Charles F. Herb.

Mr. McNally, formerly cashier of the Citizens National Bank of Chillicothe, Mo., came to St. Louis a short time since to take charge of the country bank department.

Mr. Herb has been with the Mississippi Valley Trust Company since 1899 and in becoming a vice-president resigns an assistant secretaryship which he has held since February, 1915.

Hord Hardin, formerly private secretary to the chairman of the board and president, becomes assistant executive officer, a position which has not been filled since the late Henry Semple Ames resigned it to accept a vice-presidency in 1910. Mr. Hardin is the author of "Banking Laws of Missouri, Annotated," which appeared in May of last

year. He has been with the company since 1903.

John R. Longmire was promoted from assistant bond officer to bond officer, a position which has been held open since

R. F. McNally
VICE-PRESIDENT MISSISSIPPI VALLEY TRUST CO., ST. LOUIS

1914. He has been with the company since 1908.

Thomas J. Kavanaugh, manager of the company's credit department since 1913, was made an officer. He will continue to discharge his present duties.

The office of assistant counsel of the company was assigned to A. H. Roudebush. This will be in addition to his position of assistant trust officer, which he has held since October 1, 1915. Mr. Roudebush is a member of the school board of St. Louis and a former associate city counselor.

The assistant secretaryship vacated by Charles F. Herb's election to a vice-presidency was filled by Edward A. Haight, who has been chief clerk of the company's financial department during the past year and has served it in various capacities since 1901.

All other officers were re-elected and the company's official roster for the coming year was confirmed as follows:

Julius S. Walsh, chairman of the board; Breckinridge Jones, president and counsel; John D. Davis, vice-president; W. G. Lackey, vice-president; Frederick Vierling, vice-president and trust officer; J. Sheppard Smith, vice-president; William M. Fitch, vice-president and farm loan officer; R. F. McNally, vice-president; Charles F. Herb, vice-president; James E. Brock, secretary; John R. Longmire, bond officer; George Kingsland, real estate officer;

Charles F. Herb
VICE-PRESIDENT MISSISSIPPI VALLEY TRUST CO., ST. LOUIS

Frank C. Ball, safe deposit officer; Thomas J. Kavanaugh, manager credit department; Hord Hardin, assistant executive officer; Henry C. Ibbotson, assistant secretary; C. H. Turner, Jr.,

assistant secretary; E. J. Kropp, assistant secretary; R. W. Fisher, assistant secretary; Edward A. Haight, assistant secretary; A. H. Roudebush, assistant trust officer and assistant counsel; Jesse H. Keebaugh, assistant trust officer; Fred A. Gissler, assistant trust officer; Walton W. Steele, assistant farm loan officer.

—On February 2 the Third National Bank announced to the newspapers in St. Louis that deposits had reached the forty-million-dollar mark, the largest figure ever attained by that institution. This is a commendable gain for the Third National and is just one further evidence of the value of new blood in an institution.

—The Missouri Bankers Association will convene in St. Louis on Wednesday and Thursday, May 19 and 20. There will be the usual receptions and speeches.

—John Serafini, for many years with the National Bank of Commerce in St. Louis, is now associated with the Boatmen's Bank. On February 1 he entered the service of Boatmen's to inaugurate a foreign department. Mr. Serafini's friends at the Commerce were very sorry to see him leave, and predict a good measure of success for him in his new field.

—Thos. H. West, has resigned as chairman of the board of the St. Louis Union Trust Co., but still retains his directorship. N. A. McMillan succeeds him as chairman of the board, and John F. Shepley becomes president. J. Lionberger Davis, formerly associate counsel, has assumed the duties of active vice-president. This is one of the strongest and most popular institutions in the Southwest.

—It is understood that the organization of a savings department at the Boatmen's Bank has been a fine success, and the officers are much gratified at the manner in which the certificate of deposit feature has been transferred to the savings department.

—C. E. French, formerly cashier of the Federal Reserve Bank of St. Louis, has been elected a vice-president of the St. Louis Union Bank.

Mr. French's banking experience dates from 1887, when he entered the service of the National Bank of Rolla, Missouri. In 1906 he resigned the position as cashier of this bank to become a national bank examiner. In 1907 he was elected examiner of the St. Louis Clearing-House Association, which position he resigned in 1914 to become the first cashier of the Federal Reserve Bank of St. Louis. He resigned as chief national bank examiner for Federal Reserve District No. 8 to accept the position of active vice-president of the St. Louis Union Bank.

Detroit

—While on a vacation at Ormond Beach, Florida, George E. Lawson, president of the People's State Bank of

Detroit, died suddenly. Mr. Lawson, who was fifty-four years of age at the time of his death, entered the People's Savings Bank in 1881, and was elected cashier in 1890, and when that bank and the State Savings Bank merged into the People's State Bank in 1907,

George E. Lawson
LATE PRESIDENT OF THE PEOPLE'S STATE BANK OF DETROIT

he was elected vice-president. In June last year, following the death of George H. Russel, Mr. Lawson was elected to succeed him as president of the bank.

Besides being president of the People's State Bank at the time of his death, Mr. Lawson was a member of the executive council of the American Bankers Association, a director of the Union Trust Company, Security Trust Company and the Detroit City Gas Company. He was president of the Michigan Bankers Association in 1914.

Mr. Lawson was one of Detroit's best bankers, and he was both respected and loved by his associates in the bank and by a wide circle of friends.

—The recommendation of Banking Commissioner Frank W. Merrick that the state banking act be amended to provide for a curtailment of branch banks in cities is regarded favorably by a majority of Detroit bankers who have used the branch bank system to good effect in doing away with the "stocking bank."

"It is apparent that there should be some form of regulation by the state banking department governing the establishment of branch banks so that they may be wisely placed for the convenience of the public and the profit of the parent institution," says J. H. Johnson, president of the Peninsular State Bank.

'For every branch established in a city like Detroit, at least $50,000 or possibly $100,000 should be added to the minimum capital now required, and that the smaller cities also have the same benefit along similar lines—no branches unless the parent bank has at least $100,000 capital, and then add $20,000 or $25,000 for each branch.

"Such a law is now in force in California and is working splendidly. One similar in form is also in force in New York, and like moves are being considered in other cities.

"In the keen competition for business that is now prevalent, banks should not be permitted to do anything that would have the slightest tendency to jeopardize their institution. The people of Michigan have every confidence in their banks, and we must guard the conditions that merit this good opinion most carefully."

—The Highland Park State Bank of Detroit has been organized by James Couzens and James T. Whitehead, president and vice-president, respectively, of the Highland Park State Bank of Highland Park. A. P. Ewing will be vice-president and general manager of the new bank, which will be located in the Penobscot building.

—It is reported that the Commonwealth Savings Bank is being organized and will occupy the quarters in the

Hammond building, formerly the home of the Wayne County and Home Savings Bank, which is now established in its fine new building.

St. Paul

—M. R. Knauft, heretofore an assistant cashier of the Merchants National Bank, is now cashier of that institution, having been elected in place of H. W. Parker, resigned. Mr. Knauft has made a valued officer of the bank, and his promotion is a well-deserved recognition of his services. The advancement of Mr. Knauft to the cashiership left an assistant cashiership vacant, which was filled by the election of R. W. Lindeke.

—W. B. Thompson has resigned as president of the Thompson Savings Bank of Hudson, Mich. G. I. Thompson has been elected to succeed him and William R. Thompson has been elected a vice-president. L. P. Beal will continue as cashier and C. C. Whitney as auditor. On December 31, 1915, this bank reported total resources of $1,208,332 and total deposits of $1,038,008.

—Michigan state banks, according to a recent report of the state banking department, showed in their report of December 31, 1915, a gain of $8,290,427.80 in aggregate business since the report of November 10, 1915. Compared with November 10, 1915, commercial loans and discounts increased $1,381,566.13, savings loans and discounts increased $261,873.68, commercial bonds and mortgages increased $1,510,639.63, savings bonds and mortgages increased $4,197,517.39; total increase in loans being $7,351,596.83. Commercial deposits decreased $1,825,935.06 and savings deposits increased $10,209,990.30, making a net increase in deposits of $8,384,055.24. Capital stock increased $162,900.

—Iowa bankers will hold the thirtieth annual convention of their state association at Waterloo June 20 and 21.

—On March 1 the Farmers and Merchants Savings Bank will open for business in Ottumwa, Iowa, with a paid-up capital of $50,000 and a surplus of $5,000. The officers are as follows: E. N. Sterner, president; E. A. Work, vice-president; Henry Glenn, cashier; Albert Bluhm, assistant cashier.

—In its statement of condition at the close of business January 31, 1916, the Commercial Savings Bank of Washington, Iowa, showed deposits of $909,445 and total resources of $1,021,574.

—W. R. Ross, who died recently at Urbana, Ohio, provided in his will that one-third of his estate is to go to the Champaign National Bank, of which he was vice-president. He left a note explaining this unusual bequest, saying that illness had prevented his giving as much time as he would have liked to give when a salaried officer, and in order to make up what he believed a substantial loss to the bank he left a part of his estate, which will amount to several thousand dollars, to the bank.

—Officials of the Kansas National Bank of Wichita, Kansas, have made public definite plans for the erection of a fine new $100,000 bank building, to be located on the site the bank now occupies on the northwest corner of Main and Douglas streets. The building is to be designed after Ionic Grecian lines, and will be built of either marble or granite. Work on razing the present structure will begin before April 1. During the construction of the building the bank will probably be located on the second floor of the Schweiter block.

—Friday and Saturday, August 25 and 26, are the dates for the next annual convention of the Montana Bankers Association, which will be held at Miles City.

PACIFIC STATES

San Francisco

—The fortieth annual meeting of the San Francisco Clearing-House Association was held Tuesday, February 8, 1916. The annual election of officers took place and the manager of the clearing-house, Frederick H. Colburn, submitted an annual report. Great values were represented by the figures in the report. These showed that the increase of clearings in 1915, as compared with those of 1914, was $177,684,108. The total balances in 1915 amounted to $272,984,134. The daily average balance for 1915 was $909,947, an average daily increase during 1915 of $48,756.

The figures in total for clearings in 1915 and 1914 were: Total clearings for year 1915, $2,693,688,925; for 1914, $2,516,004,816; the increase amounting to 7.062 per cent.

The report also contained the following interesting figures:

"The yearly total and daily average as given both establish new high records in the history of the San Francisco Clearing-House as do also the following records made during the year 1915":

Clearings for one week, $66,927,730.80; for one month, $260,941,563,37; for three months, $766,699,394.69; for six months, $1,442,992,323.90. The daily average of clearings was $8,978,963.06. Total balances in 1915 were 10.134 per cent. of the clearings and amounted to $272,984,134.49. Balances were paid in U. S. gold coin, 50.32 per cent., $137,384,134.49; in U. S. Treasury gold certificates, 49.68 per cent., $135,600,000. The average daily balance for 1915 was $909,947.11; for 1914, $861,190.61; an average daily increase during 1915 of $48,756.50.

The clearing-house resumed the use of U. S. Treasury gold certificates in settlement of balances on August 19, 1899, since which date, a little more than sixteen and a third years, the balances have aggregated $3,365,483,968.88, being 35.216 per cent. paid in gold coin, $1,185,176,968.88, and 64.784 per cent.

PEN AND INK SKETCH OF THE NEW HOME OF THE FIRST NATIONAL BANK OF PORTLAND, OREGON, AS IT WILL APPEAR WHEN COMPLETED

being paid in U. S. Treasury gold certificates and clearing-house loan certificates, $2,180,307,000.

A very interesting tabulation showed that the total clearings for thirty-nine years amounted to $48,297,809,728.34 and the balances for the same period were $6,012,675,306.64.

Manager Colburn, in his report, paid a tribute to the memory of the former manager, Charles Sleeper, who served more than thirty-eight years, saying that "his amiability, fidelity and unvarying courtesy endeared him to all." The members of the San Francisco Clearing-house Association are now as follows: The Bank of California, N. A.; the Bank of British North America; the Donohoe-Kelly Banking Co.; the First National Bank; Wells, Fargo Nevada National Bank; Anglo and London-Paris National Bank; the Crocker National Bank, the American National Bank, the Mercantile National Bank, the Canadian Bank of Commerce, International Banking Corporation, Italian-American Bank, the Merchants National Bank, the Bank of Italy, the Seaboard National Bank, Federal Reserve Bank of San Francisco, the Assistant Treasurer of the United States.

The following officers were elected for the year 1916:

President, James K. Lynch; vice-president, James J. Fagan; secretary, D. B. Fuller. Clearing-house committee: F. L. Lipman, C. K. McIntosh, Dr. Washington Dodge, John D. McKee; secretary of committee, C. K. McIntosh; (the president or vice-president being ex-officio chairman of the clearing-house committee): manager, Frederick H. Colburn; assistant manager, Thomas P. Burns.

—"Pacific Coast export trade," says the American National Bank of San Francisco in a recent trade letter, "is

still suffering from lack of transportation facilities with no immediate relief in sight. It is estimated there are over one hundred thousand tons of merchandise awaiting shipment from San Francisco, Portland and Seattle to the Orient. Charter rates have advanced to heretofore unheard-of figures, and vessels of all sizes and every degree of serviceability are daily changing hands at steadily advancing prices. Normal freight rates from San Francisco to Kobe range from $5 to $10 per ton against $30 now offered, and $35 asked, while time charters have advanced from four shippings per ton on vessels D/W to twenty-five shillings for twelve months' charters. A special trip time-charter of a boat of nine thousand tons, carrying the American flag, is reported at $3,000 per day, which is nearly double the twenty-five shilling rate, at present quotations for sterling exchange."

Spokane

—After two years' service as receiver of the Washington Mill Co., the Union Trust and Savings Bank has just received its discharge from the court. At the time of its appointment, November 26, 1913, it was feared the business would have to be discontinued and the assets liquidated. On petition of the receiver, however, permission from the court was secured to continue the plant temporarily, and even under the adverse conditions then existing the mill was maintained in operation, not only without loss but with some profit. This unexpected showing prompted the creditors to make plans for a reorganization, and which have now been consummated.

Shortly after the appointment of the receiver, the segregation of the Washington Mill Co. and its subsidiary, the Spokane Lumber Co., was brought about, and through the efforts of the bank, both are now going concerns.

In commenting upon the matter, this statement is made by W. J. Kommers,

vice-president and trust officer of the bank, who represented it during the receivership: "This receivership has been a striking example of what a modern corporate trustee, aided by a body of directors experienced and successful in their respective business activities, can do when concentrated upon a difficult financial problem. Here was an institution with upwards of a million dollars in liabilities and facing the prospect of a liquidation that it was estimated would not yield to exceed 15 cents on the dollar. The Union Trust and Savings Bank, through the co-operation of its executive board—several members of which are experienced lumbermen—ordered a change of policy in milling and marketing and for twenty-two months continued the plant in operation with results as above stated."

Some idea of the magnitude of the undertaking may be gained from the fact that the receiver's inventory, when compiled, consisted of two bound volumes of 400 pages each—in all, 800 closely typewritten pages—the most voluminous document ever filed for record in Spokane county.

Another unusual feature in connection with this receivership is the fact that the bank allowed the creditors, in committee, to fix the fee—a circumstance not previously heard of in individual receivership and one that reflects the mutual confidence existing between creditors and receiver.

The Washington Mill Co. has been reincorporated, under the name of Western Pine Manufacturing Co., with a capital of $600,000. Its officers are: C. M. Crego, president; J. F. Sexton, vice-president, and L. G. Carr, secretary and treasurer. The trustees are: J. F. Sexton, J. P. McGoldrick, A. L. Paine of Tacoma, M. A. Phelps and C. M. Crego.

The new company is continuing along the same lines of activity as the Washington Mill Co., manufacturing doors, windows, moldings, frames, boxes and finished lumber, employing on the average 150 men.

Los Angeles

—To establish data for the centennial year of savings banks in the United States, the Los Angeles Chamber of Commerce canvassed the twenty-eight banks of the city carrying savings accounts, with the following results:

Number of accounts, 253,876; average amount of each account, $529.21; total savings, $100,531,380.04. The chamber estimates the population at 550,000, which indicates the savings accounts represent nearly half the population.

The postal savings, building and loan associations and similar institutions of thrift were not included in the canvass.

The average savings in the four leading states are: Massachusetts, $243; California, $190; New York, $109; Pennsylvania, $81.

Stoddard Jess
PRESIDENT FIRST NATIONAL BANK OF LOS ANGELES

—At a recent meeting of the board of directors of the First National Bank, of Los Angeles, Stoddard Jess was

elected president to succeed J. M. Elliott, who, after twenty-four years of service as chief executive of the bank, declined re-election. Mr. Jess was succeeded as first vice-president by E. D. Roberts. E. S. Pauly, assistant cashier, was elected a vice-president and James Forsythe was appointed manager of the foreign department.

Mr. Jess is an ex-president of the Los Angeles Clearing-house Association and a member of the executive council of the American Bankers' Association.

He is one of the most prominent and popular bankers on the Pacific coast.

—The old San Joaquin Valley Bank of Stockton, Cal., which was organized in 1868, has been reorganized as a national bank with a capital of $500,000, and a surplus of $50,000. The savings department of this bank will be conducted as heretofore under the state laws. It will have a capital of $250,000 and a surplus of $25,000. The following are the officers of the new institution:

R. B. Teefy, president San Joaquin Valley National Bank; Dr. J. D. Young, president San Joaquin Valley Bank (savings department); L. J. Wagner, C. A. Belli, vice-presidents; F. W. Wurster, cashier; J. C. Keys, J. S. Reilly and L. J. Rossi, assistant cashiers.

Salt Lake City

—In Utah the rule seems to be among the national banks, not to make the changes necessary under the Clayton Act until October next. The names of many of the directors elected in the January stockholders meetings therefore, continue to appear on several boards.

Among the directors now serving on two or more national institutions which will be affected, are the following: M. S. Browning of Ogden is on both the boards of the Deseret National Bank of this city and the First National Bank of Ogden. C. W. Nibley and H. G. Whitney are directors in both the Utah State National and the Deseret National. Senator Reed Smoot is a director on two boards, the Deseret National, and the National City of Salt Lake. President John C. Cutler of the Deseret National is also on the board of the First National Bank of Murray. W. W. Riter is also on several national bank boards. President Joseph F. Smith, Anthon H. Lund, Heber J. Grant, John F. Bennett and Colonel T. G. Webber are on the Utah State National, and the Zion's Savings Bank and Trust Co. boards. Edgar S. Hills of the Deseret National board is also on that of the First National of Murray.

—John C. Cutler, president of the Deseret National Bank, believes that

the local application of the Clayton law with regard to interlocking directorates will injure the country banks. In an interview in the Salt Lake City News he said in part:

"In the east where one man may be a director in several great banks, such a law may do; but it will operate in this part of the country, if not repealed or amended, to the detriment of banking interests. There are banks in this city, which helped to start country banks, and it is to the benefit of these country banks to have banking men at the central city of the state, especially in Utah, on their boards of directors, for several reasons. In the first place such directors can run over the names of all borrowers, at the monthly meetings, and advise as to the advisability of extending credits to men who may be borrowing too extensively.

"Then again, the country bankers get the benefit of the city bankers' experience—a great benefit, when you come to think of it; there are other reasons that might be given. Our bank has over the five million limit; consequently, any of its officers or directors who may hold official positions with national banks in the country must resign from one or the other unless the law is changed. In my opinion it ought to be changed, so that no good man who is serving on the directorate or roster of officials of a Salt Lake bank, would be obliged to resign from country bank connections, and that bank thus lose the benefit of his experience."

CANADIAN

—Bank clearings in the Dominion for the month of January totaled $742,-900,159. This is with one exception, January, 1913, the largest total recorded for the month.

"Inasmuch as business in Canada during the initial month of 1916 was affected by conditions incident to the post-holiday lull," says Bradstreet's, "it is not astonishing to find that clearings for January fell below the record payments made in December." After pointing out that the total had been exceeded in only one January, Bradstreet's continues: "While this showing of $742,900,159 reflects a drop of twenty per cent. from December, it nevertheless displays a gain of thirty-one per cent. over January, 1915, and of 6.4 per cent. over that month in 1914, but comparison with 1913 discloses a drop of 5.9 per cent. The total just given is larger than that reported for any month in 1914, and in only three months of 1915 was it exceeded. Montreal, Toronto and Winnipeg report increases of thirty-eight per cent, thirty-two per cent. and forty-two per cent., respectively. Victoria and Vancouver, Edmonton, London and Saskatoon exhibit decreases from January, 1915.

"This table shows Canadian bank clearings month by month since 1913 (three figures omitted):

	1916.	1915.	1914.
January	$742,900	$566,706	$697,728
February ...	......	487,296	596,837
March	......	567,575	632,000
April	......	575,941	671,705
May	......	570,769	701,353
June	......	559,941	699,179
July	......	578,090	752,046
August	......	556,008	571,055
September ..	......	575,382	620,851
October	......	785,814	712,723
November ..	......	981,284	643,476
December ..	......	934,907	610,434

—During January, according to Houston's Bank Directory, sixteen branches of the Canadian chartered banks were opened and fourteen closed. The Banque Provinciale opened nine, seven of these being in the Province of Quebec and two in Ontario. The Hochelaga and the Nationale opened two each, all of these also being situated in Quebec. The Merchants opened one in Alberta, Royal one in New Brunswick, and the Commerce one in Ontario. Of the fourteen branches closed, four were by the Nationale, in the Province of Quebec, Provinciale three in Quebec, Union two in British Columbia, Imperial two, one in British Columbia and one in Ontario, Hamilton one in

Saskatchewan, Royal one in Ontario and Toronto one in Saskatchewan. The table following indicates the branches opened and closed:

OPENED

*Issoudun, Que., Banque Provinciale du Canada.
*Ham Nord, Que., Banque Provinciale du Canada.
*Mascouche, Que., Banque Provinciale du Canada.
Ponoka, Alta., Merchants Bank of Canada.
Richibucto, N. B., Royal Bank of Canada.
Richmond, Que., Banque d'Hochelaga.
*Stony Point, Ont., Banque Provinciale du Canada.
*St. Adelphe de Champlain, Que., La Banque Nationale.
*St. Epiphanie, Que., La Banque Nationale.
*St. Felix de Kingsey, Que., Banque d'Hochelaga.
*St. Francois du Lac, Que., Banque Provinciale du Canada.
*St. Marguerite, Que., Banque Provinciale du Canada.
*St. Placide, Que., Banque Provinciale du Canada.
*St. Roch L'Achigan, Que., Banque Provinciale du Canada.
Timmins, Ont., Canadian Bank of Commerce.
*Wendover, Ont., Banque Provinciale du Canada.

CLOSED

Enderby, B. C., Union Bank of Canada.
Grenfell, Sask., Bank of Hamilton.
*Hebertville, Que., Banque Provinciale du Canada.
Hebertville Station, Que., Banque Provinciale du Canada.
*†Riviere a Pierre, Que., La Banque Nationale.
*St. Aubert, Que., La Banque Nationale.
*St. Gedeon, Que., Banque Provinciale du Canada.
*St. Louise, Que., La Banque Nationale.
*St. Valier, Que., La Banque Nationale.
Toronto, Ont., Dundas St. Royal Bank of Canada.
*Vancouver, B. C., City Heights, Union Bank of Canada.
*Victoria, B. C., Douglas St., Imperial Bank of Canada.
*Welland, Ont., West Side, Imperial Bank of Canada.
*Woodrow, Sask., Bank of Toronto.

*Sub-branches.
*†Advised opened in error.

The number of branches in the whole of the Dominion in January was 3,261, as compared with 3,219 for the same month a year ago.

—New taxation on fourteen banks, which have issued reports during the past month or two, says the "Financial Post," will amount to $1,886,642. The act proposed is retroactive, and will apply to the fiscal years of the banks referred to. Their capital and profits for the two years and the estimated taxation under the new budget is as follows:

	1914.	1915.
Profits	$13,724,867	$12,352,823
Capital	86,647,449	86,654,272
7 per cent	6,065,321	6,065,799
Balance of profits	$7,659,546	$6,287,024
25 per cent. tax	1,914,886	1,571,756
Less note tax	800,000	800,000
	$1,114,886	$771,756

The note tax is estimated on the basis of slightly less than one per cent. of the capital. This for the year would amount to approximately $800,000 in the case of the fourteen banks included in the above calculation. At present bank circulation outstanding is about $120,000,000, and the average for the year will not be very much less. One per cent. on this would yield a sum of $1,200,000, which, of course, will be subtracted from the tax on profits. In the case of the fourteen banks in question the additional taxation will amount to $1,886,642, which, though serious, is not at all alarming.

Two A. I. B. Men Advanced

As a result of persistent effort along well directed lines of study, as carried out by the American Institute of Banking, Frederick D. Whitney, ex-president of Rochester Chapter, A. I. B., and until recently with the Fidelity Trust Co. of that city, has been offered and accepted an important place on the staff of the bond department of the Guaranty Trust Co. of New York, with headquarters in Rochester.

Mr. Robert D. Oliver has resigned his position with the Central Bank of Rochester to become assistant cashier of the State Bank of Williamson, New York.

Settlement of Clearing-House Balances

O. HOWARD WOLFE, assistant cashier Philadelphia National Bank, has made the following interesting proposal for the settlement of clearing-house balances:

"The plan I would propose is an adaptation of one already in use in several of the smaller clearing-houses. It can be described in a very few words: The debtor banks draw their drafts on a reserve agent in the nearest reserve or central reserve city to the order of the clearing-house manager. The manager sends these drafts to the depository bank in the reserve city and issues his drafts against the deposit in favor of the creditor banks. While the Federal Reserve Act makes no specific provision for a deposit by a clearing-house manager, consideration must be given to the fact that this official merely represents an association of banks already —for the most part—members of the system. I do not hesitate to say that such deposits would be accepted by the reserve bank acting as a clearing-house depository. It would be necessary, or at least desirable, for debtor non-member banks to draw upon clearing-house or member institutions in the city where the reserve bank is located, although member banks would draw only upon the reserve bank. Since state banks may continue to carry reserves with other banks there would arise no question as to the soundness of the plan. In making settlement in the reserve bank cities, it may be suggested that the same plan is practical providing the non-member banks carry a clearing account with a member bank, as indeed most of them do. This would enable them, when debtors, to give the clearing-house manager funds acceptable for deposit other than actual currency.

"This, briefly, is the substance of the plan I wish to suggest for your consideration. It is offered in the interests of convenience, economy and sound banking, and with confidence that sooner or later the clearing-house associations will adopt it or something similar. The next step, then, will be to make all clearing-house settlements by book entries on the ledgers of the reserve banks without the use of even drafts or checks. Has it not occurred to you that after all a check is only one method of passing the credit of A to the credit of B?, and that 'float,' that element of cost all bankers should seek to reduce, arises solely because we still use the mails to carry the bit of paper, the authority to transfer credits, from one point to another? When banks wake up to the fact that men's thoughts and wishes are now communicated by electricity, and not by ox-cart, as they once were, drafts, as between banks, will give way entirely to telegraph and telephone transfers.

"That condition is already at hand. Each week a clerk at Washington receives twelve telegrams which enable him with a few strokes of the pen to adjust the settlement balances of the most interesting and important clearing of the country, that of the reserve banks through the gold settlement fund at Washington. It is time, indeed, that the clearing-houses of the country should take thought of putting their own settlements upon a more modern and uniform basis, especially since the way now presents itself."

HON. GEORGE C. VAN TUYL, JR.
PRESIDENT METROPOLITAN TRUST COMPANY, OF THE CITY OF NEW YORK

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THE

BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SEVENTIETH YEAR | APRIL 1916 | VOLUME XCII, NO. 4

The United States and Mexico

FOR the second time during the troubles in Mexico following the overthrow of the Madero government, the United States has sent a military force into that country. The first expedition was against Huerta, and the second, which has just taken place, is against Villa, who with armed troops made an attack on the town of Columbus, New Mexico, on March 9. With the various factions contending in Mexico the government and people of the United States have shown extraordinary restraint and patience. They have submitted to the loss of lives of our people, the destruction of property, indignity to the flag and outrages of various kinds. It was hardly to be expected that this patience could stand the strain put upon it by the actual invasion of our soil by a hostile Mexican force and the killing of Americans in consequence thereof. A punitive expedition was at once organized and started in pursuit of those guilty of this wanton outrage. At the time this is written Villa has not been captured, and the forces of the United States and of General Carranza are still after him. While fears were at first expressed that Carranza would resent our going into Mexico for the purpose indicated, no clash with his forces has yet occurred, and he appears willing to coöperate with the United States in disposing of his strongest military enemy.

From first to last the Mexican situation has been beset with grave difficulties. Are they about over, or is the most serious phase of the situation yet to come?

Opinions have differed as to the policy followed in dealing with the factional chiefs in Mexico. But there is only one opinion in America as to the justness of our efforts to visit swift and summary punishment upon those responsible for the Columbus attack.

WHENCE COMETH SALVATION

WHILE the heavens are reverberating with the salvos of applause for the Federal Reserve Act—those furnishing the noise either being salaried beneficiaries of the system or politicians who are responsible for it—how refreshing by contrast is this letter from the Bank of Charleston (S. C.) National Banking Association, relating to the demand for credit in the cotton section just after the outbreak of the European war owing to the clogging of the usual seasonal liquidation from the sale of cotton:

"Emergency currency probably prevented scarcity of a circulating medium. The prospect of the inauguration of the Federal Reserve banks had some sentimental effect in holding out hopes to the central reserve city banks of a means of liquefying a part of their commercial paper.

"Yet the salvation of the country would seem to be principally due to the practically unlimited rediscounts and advances extended by the central reserve cities, especially New York, to all deserving applicants, almost irrespective of the prospects of applicants to attain a moderate degree of prosperity within any reasonable time.

"Where all ungrudgingly complied with all requests, any distinction other than alphabetical would seem invidious.

"The First Trust and Savings Bank of Chicago rediscounted some cotton mill paper for mills not regular customers and enabled us to put some cotton where it would do the most good to the situation.

"The burden of our regular business, except the financing of cotton exports, was carried by our New York city reserve agents: Atlantic National Bank, Bank of New York, N. B. A.; First National Bank, New York; Merchants National Bank, National Bank of Commerce, National City Bank.

"The huge and unprecedented demands of the export business were met by the Guaranty Trust Company of New York, our regular foreign exchange agent, whose unusual equipment in this department threw upon it at this time an unusual responsibility, to which it rose in a manner to delight its friends."

Here is plain, unvarnished testimony to the effect that the "inauguration of the Federal Reserve Banks had some sentimental effect in holding out hopes," but that "the salvation of the country would seem to be principally due to the practically unlimited rediscounts and advances extended by the central reserve cities, especially New York, to all deserving applicants, almost irrespective of the pros-

pects of applicants to attain a moderate degree of prosperity within any reasonable time." This controverts the extravagant official praise of the Federal Reserve Act and it also serves as an antidote to some of the virulent official denunciation of the New York banks as "robber barons." The Bank of Charleston is not dealing with imaginary conditions but speaks from an actual knowledge gained from daily experience. Whatever real benefit may finally result from the Federal Reserve System—and it has been of little benefit thus far except to those who are drawing salaries from it—one fact is clear, namely, that the banks of the reserve cities are bearing the real burden of financing the country's production and trade. In calling attention to this fact in a plain and simple manner the Bank of Charleston has performed an important public service.

THE THRIFT MOVEMENT

ON account of the savings bank centennial much attention is now being given to the subject of thrift, and the attention of the people is being called to the individual, neighborhood and national benefits that will flow from a more intense cultivation of the thrift habit.

Probably a movement of this character could accomplish greater good if its proponents would pay a little more attention than they have heretofore done to making their programme palatable. Most of the preaching and teaching done on this line begins and ends with the same advice—save your money instead of spending it. A good many people do not appreciate or even understand advice of this character. Moreover, as a practical matter, they find that they get the greatest amount of good out of money when they spend it. And their view is right enough. Saving as an object in itself is not praiseworthy, but quite the contrary.

The only real purpose of saving of any kind is that it may enable one to have a larger and better use of his income. For instance, if one should wish to have the pleasure of owning his home or an automobile, he must, of course, save and for a certain period forego some enjoyments for the greater enjoyment which the home or automobile may afford. In early life one may save by keeping down expenditures in order that as life advances and he rises in the social scale his style of living may be raised proportionately. On the other hand, one who had been accustomed to living well would be moved by the dictates of prudence systematically to save something so that his

standard of comfort be not reduced through the diminished earning power liable to be experienced as the years go by; or, in extreme cases, that one should not encounter the danger of becoming a public charge.

Probably, as a matter of fact, the average person does not like to be told that he is extravagant, nor can he be much frightened by holding up to him the sad fate that besets those who neglect to save a part of their income. Horrible examples are not much to the purpose. But if men in modest circumstances, and who are dependent upon others for employment and wages, can be shown that by the exercise of thrift—that is, by the prudent expenditure of so much of their income as is necessary to maintain themselves and families in reasonable comfort and the laying aside of the remainder—they may free themselves from this dependence and step from the ranks of employes into the employers' class; or that this saving will enable them, by careful investing, to add to their own scale of comfort, here will be arguments of more compelling force than all the horrible examples of extravagance and squandering that can be brought forward to frighten the unthrifty.

True enough, saving does at some time imply sacrifice and self-denial, but not in the long run. On the contrary, it usually and perhaps always means that by saving a little to-day we may enjoy the more to-morrow, and that the average of our enjoyment will, on the whole, be considerably greater.

Too much emphasis has been laid, in our opinion, on the unattractive side of economy and thrift—that it is a kind of penance imposed upon us as a part of the original decree that man should eat his bread in the sweat of his face instead of a blessing whose realization may be somewhat delayed but is none the less enjoyable when it does come.

CAUTION ABOUT THE ACCEPTANCE BUSINESS

THIS MAGAZINE on several recent occasions has deprecated the tendency manifest in certain quarters to glorify acceptances as a new form of magic and legerdemain as applied to banking. Trade acceptances and bank acceptances unquestionably have many solid advantages, and it is hoped that in time these may be prudently availed of by the banking and commercial community. But this is a new and unfamiliar business to the great majority of our banks, and in the absence of the qualifying capital and experience subject to grave risks. This view is supported in a

paper published in a recent number of the "Journal of the Institute of Bankers," London. The author of this paper is Mr. F. R. Acheson Shortis, and he is replying to an article in a previous number by Mr. H. E. Evitt. Of the latter article Mr. Shortis says:

"I think it is a fair deduction that the underlying motive of the article in question would appear to be a plea for an aggressive extension of the London clearing banks further into the sphere of foreign banking, and it is in regard to this policy that I find my views somewhat in conflict with those of Mr. Evitt.

"The acceptance business of London was initiated and has been conducted almost exclusively for upwards of a century by private banking firms of international repute who have made it a specialty to which they confined their sole attention. Upon reference to the balance sheets of the leading joint stock banks only fifteen years ago, it will be found that the acceptances of these institutions were, comparatively speaking, a negligible amount. The total acceptances in circulation in the London market at that time upon a careful estimate approximated £250,000,000, and at the same time the total proportion of the acceptances of the London joint stock banks probably did not much exceed one per cent. of the total amount in circulation. The entire acceptances of the agencies of foreign banks in London collectively with those of the clearing banks would not probably exceed ten per cent. of the total acceptances in circulation at the period mentioned, and the balance comprised the acceptances of private accepting houses, together with the acceptances of British and Colonial banks doing business abroad and in our dependencies."

Mr. Shortis then refers to the long world-wide currency of the London bill of exchange, and says:

"The bill that enjoyed this popularity and which has contributed its part in the long tried process of making London the great financial center it is to-day, has not been the acceptance of the agency of the foreign bank in London, or of a clearing bank (because as shown these acceptances did not exist to any important amount until recently), but chiefly the acceptances, which were well known throughout the world, of the great private accepting houses which Mr. Evitt has ignored in his article."

It is pointed out that recently the acceptance business has been growing among some of the larger clearing banks especially. The joint stock banks, it is stated, have actually increased their acceptances by nearly thirty per cent. over 1914 and are to-day responsible for nearly fifty per cent. of the bills in circulation. "This heavy increase," says Mr. Shortis, "is mainly in the figures of the larger clearing banks. It is a significant feature that the Scotch banks, which have always upheld the highest traditions in the banking world, and moreover cannot be accused of not being progressive,

have not in a single instance extended their business in the direction of foreign banking; furthermore, their aggregate acceptances on December 31, 1914, only amounted to £5,600,000."

As to the effect the extension of the acceptance business may have in impairing the feeling of security which the depositors of the banks have, it is said:

"Any policy which in the slightest degree is likely to prejudice the interests of the depositors, or in any way impair the confidence of depositors, should be deprecated. At the present time I do not think it can be stated that the development of foreign business by the clearing banks has yet impaired the confidence of depositors—at any rate, there is no indication that this is the case,—but at the same time it must not be overlooked that it is a new development in regard to which the joint stock banks have not had much experience; moreover, by their nature these transactions are fraught with many dangers, so that they are incurring considerable risks which may at some time or another be realized by their depositors. It is due to hitherto conservative management that banks have weathered the storms which occur from time to time in the financial world, but the cares and responsibilities of institutions that hold deposits of such magnitude are already sufficiently great to render it undesirable for them unnecessarily to increase them. The accepting houses, on the other hand, do not seek deposits, and it is by specializing in banking, as in other professions, that this city has been able to obtain the best results. It must be remembered that the partners of the leading accepting houses are men of extensive personal experience, and possess an organization which has been built up over a long period.

"The technicalities of the business require special qualifications which they uniquely possess, and they have the opportunity of coming into direct personal contact with their clients. They are usually able to speak foreign languages, and this enables them to obtain at first hand a personal appreciation of their customers, which is sometimes a very valuable advantage, because it is not always that a customer will disclose his position so freely to an official of a joint stock bank. * * * *

"I do not like to make comparisons in this direction because the acceptances in both cases are absolutely first class, but the clearing banks in acquiring large deposits have impressed the public mind in similar proportion with their overwhelming strength and have made it consider this exhibition of power as a substantial guarantee for the due fulfillment of their acceptances, overlooking the fact that the acceptances of these banks are really an increase of their already existing heavy liabilities. On the other hand, the private accepting houses do not seek deposits, their engagements are limited to their acceptances, and to this extent are proportionately better safe-

guarded, as the ratio of responsible capital in the case of the important accepting houses is very much greater."

If there is any validity in these contentions, with respect to the English joint-stock banks, most of which are of great size and with no inconsiderable experience in foreign banking, how much greater necessity exists for circumspection on the part of our numerous and small banks, many of them—or rather most of them—having but little practical knowledge of the foreign field.

There are, of course, a number of large banks in the principal cities that have the capital, resources and experience essential to the safe and efficient conduct of this business, and to these this innovation in American banking should be for the present confined.

"PRIVATE CONTROL OF THE PUBLIC CURRENCY"

THE Comptroller of the Currency recently received from the Farmers' Grain Dealers' Association of Iowa notification of the adoption by the convention of that association, in Des Moines, Iowa, of the following resolution:

"BE IT RESOLVED by the Farmers' Grain Dealers' Association of Iowa, representing forty thousand members, as follows:

"That we are as much opposed to bank discrimination in interest rates as to railroad discrimination in freight rates.

"We oppose private control of the public currency.

"That we strongly commend the Comptroller of the Currency for his courageous exposure of bank usury; and we unalterably oppose the efforts of the guilty parties to abolish his office."

In one of the above statements lies the most persistent and the most dangerous fallacy in regard to the country's currency:

"We oppose private control of the public currency."

Now, suppose a convention of bankers had assembled in Iowa and resolved:

"We oppose private control of the public's corn."

Wouldn't that have been quite as sensible a declaration as the resolution above quoted?

It is a good deal more a matter of public concern that the corn, wheat and oats should not be privately controlled than is the case with regard to the currency.

But we confess that the proposed resolution is an utterly foolish

one; so is that adopted by the Farmers' Grain Dealers' Association of Iowa.

Although the planting of corn and potatoes and the sowing of wheat and oats are matters of private individual control, apparently, each farmer being left absolutely free to sow or to plant as little as he chooses or none at all, and thus seemingly possessed of the power to starve us all out, such is not really the case. As a matter of fact, the growing of these crops depends upon two factors —the public demand for them and the profit to be made from their raising and marketing. The farmer is under the necessity of sowing that he may reap, and the public must buy in order to consume. So that necessity's law is the real controlling element.

And that is what controls credit, and currency ought to be only one of the forms in which credit expresses itself.

One who applies for credit does so purely in a private and personal capacity, and the moving force is the desire to make and sell more goods, or to add to the output of the farm. The act is impressed with no public function. And the ordinary community bank generally regards the handling of these applications merely from the standpoint of the relation between the borrower and the bank. The question simply resolves itself into this: "Is the applicant for the credit fairly entitled to it; that is, has he the means and the character to make good his engagement?" If this question can be affirmatively answered then another arises, and it is this: "Can the bank grant the credit; that is, has it the cash means essential to the making of additional loans, or has it already lent as much as the law of safety permits?"

In every case, substantially, where the applicant's credit is good, and the bank can make the loan, it is made; and it is to the interest of the bank to make it, for a bank's profits come from granting good applications for loans, not from refusing them.* Actually the bank is just as much under the necessity of making desirable loans as the farmer referred to in the foregoing illustration is under the necessity of planting crops if a profit appears probable.

It is not denied that great institutions like the Bank of France, and to some extent our Federal Reserve Banks, do exercise a measure of control over credit operations in a general way; but this control is sparingly exercised and always in the direction of enforcing prudence and safety in the public interest.

But in the truest sense credit is controlled by the person who

*"The tendency in every bank management is to loan money so long as sound borrowers can be found and the bank has in its vault idle funds above its legal reserve requirements."—"Some Elements of National Foreign Trade Policy," address of Frank A. Vanderlip, president National City Bank, New York, before Third National Foreign Trade Convention, New Orleans.

wants to use it. Of course, no one would contend that the insolvent or the incompetent should have credit, for credit implies always the character that will regard obligations as sacred and the ability to meet them as promised. Were this not so the modern business fabric would speedily collapse.

To apply the test of competency banks have been created. If a farmer wished to test the quality of the soil on his farm he would naturally go to some one skilled in soil chemistry; and for a like reason credits are tested at the banks—they have the machinery and the experience for making the tests. That is all there is to it. If one studies the matter a little he will readily see that the banks dealing every day with their customers face to face must be a much better judge of their credit standing than a Federal Reserve Board at Washington or the Congress of the United States possibly could be.

The credit which people get at the bank is chiefly used in the form of checks, in an overwhelming proportion as compared with the currency of any kind; but whether they take the credit in the form of bank-book entries to be checked against, or in the form of the bank's notes to be passed from hand to hand, is a matter which the person getting the credit ought to be allowed to decide for himself, for he knows better than Congress, better than the seven members of the Federal Reserve Board, better than anybody else, in fact, what kind of credit he can best use. If there is no public control over the amount of checking credit granted, why should such control be exercised over bank-note credit, which is always vastly inferior in volume and importance?

Politicians, for their own ends, have sought to make people believe that there was some magical power which the Government alone has and which it confers on the currency—that is, on the currency which circulates as money. On the immense mass of check currency, which so efficiently performs its functions, this magical power is never impressed. It has been found, in practice, that there is one essential touchstone for this currency—its prompt current redemption; and that is substantially all that is needed for the currency printed to look like money.

Whenever the people of the United States give their serious attention to the study of this question they will awaken to the fact that political deception has deprived them of a most important privilege—the right to determine for themselves the supply of currency they shall have—and they will demand that the usurped powers of the Government, of Congress and the Federal Reserve Board, be restored into the people's own hands, insisting that the people, not the politicians, shall control the country's supply of currency and credit.

CO-OPERATION BETWEEN THE CITY AND COUNTRY

AN undertaking of exceptional interest is represented by the Hampden County Improvement League of Springfield, Massachusetts. This League was formed for the purpose of uniting the forces of the city and country to advance agricultural and industrial prosperity, and to insure living conditions adequate for the realization of the highest ideals for the people of Hampden County, of Massachusetts and of New England. That rural localities in New England are losing population and farm lands declining are facts generally known. And the explanation for this change is not far to seek. Cheaper and more fertile lands in the West and South and the growth of manufacturing in the New England States largely account for rural decline, although there have been other and by no means negligible contributory factors. Not the least of these has been the unattractiveness and monotony of country life to the younger generation. This factor is declining in importance, however, with improved means of communication. The telegraph, telephone, trolley car and the automobile have brought the town and country much nearer together and have largely abolished the isolation and loneliness of farm life.

It is the purpose of the Hampden County Improvement League to help in correcting the conditions which have caused the boys and girls to leave the farms. This is done by making the farm more productive and profitable and by increasing interest in home making work, recreation and reading. By proper fertilization, rotation of crops, the use of better seeds and improved methods of cultivation, more economical marketing, etc., there has been an increase of more than $1,200,000 in the value of crops and farm lands in the last two and one-half years covering the league's activity. The decline in population has been checked, good roads are being built, and a spirit of interest in country life has been aroused.

The value of intelligent and properly directed co-operation between residents of the city and country has been strikingly demonstrated in this instance, and it is an example worthy of widespread adoption.

For some years bankers have been working along similar lines through their organizations. In some cases the farmers have resented what they regarded as an intrusion into their particular field by the bankers, and charges of self-interest have even been made. This has tended to make the bankers rather chary of engaging in

work of this character. Probably the difficulty could be overcome if bankers did not attempt to carry on their plans through their own organizations, but co-operate, through an organization similar to that of the Hampden County Improvement League, with all the people in the community. As a practical man of affairs the banker's help in a movement of this kind should be of great value.

CAUSE OF FAILURE OF EARLY BANKS

LAST month this MAGAZINE commented on the tendency of the Federal Reserve System to create in the minds of the bankers of the country the belief that it was a part of the business of banks to borrow money. That belief was current with many of those who went into the banking business before the Civil War, and it resulted in disaster. In a valuable work on "Banking and Currency in Ohio Before the Civil War," by Professor Charles C. Huntington, professor of economics and sociology, in the Ohio State University, Columbus, appears this instructive statement, under the heading "Causes of Failure of Majority of Ohio Banks."

"Some of these banks had been erected on stock notes alone, the directors then turning right around and issuing their bank bills on the promise of the borrower and a pledge of the stock. Some of them had been got up for the purpose of borrowing and not lending money, and defrauding the unsuspecting with their depreciated paper. It is not surprising that such banks failed. As Governor McArthur, speaking of the insolvent state banks of that period remarked, 'To insure the solvency of a bank, its stockholders should be lenders and not borrowers of its money.' "

The tendency of mankind to repeat the errors of the past is proverbial, and even with this experience—and much more of the same kind that might readily be brought forward—as a guide, no particular surprise need be felt that a new banking system has been erected which sets at defiance the sound principle above enunciated. But certainly also, in the light of such experience, we know exactly what to expect of a system that is based upon an inversion of the true banking principle.

Should the member banks get into the habit of rediscounting—that is, of borrowing—it will not only lead to dangerous inflation, but persisted in long enough will doubtless bring about the same disastrous results produced among the early banks of Ohio and other states because they did business on the theory that it was their province to borrow money rather than to lend it.

Superficial observers of banking have extravagantly lauded the rediscount and acceptance features of the Federal Reserve Act. Under careful limitations—such as do not exist under the act referred to—these privileges might constitute a serviceable addition to our banking functions. Applied promiscuously, they are certain to lead to disaster.

Historical precedents, established traditions and well-recognized principles were all apparently scrapped in the enactment of the Federal Reserve Law. Of course, tradition, history and principle may all be disregarded, in any legislation, but it would be manifest folly to expect any good to come from such a policy.

BANK TRAINING FOR UNIVERSITY MEN

WHAT may prove an important movement in co-ordinating American college and university training with actual business has been undertaken by the National City Bank of New York. That institution announces the creation of a fellowship which will enable a certain number of young men chosen from the colleges and universities to pursue a part of their study in the bank, receiving a money compensation while thus engaged, with a good prospect of entering the bank's service, and also to have this training in the bank to count as credits in their course of study. Banking, foreign exchange, credits, economics, commercial geography and languages will be among the studies pursued while in the bank.

In establishing branches abroad the institution referred to has found difficulty in getting for its foreign service young men possessing the requisite qualifications for doing the work. It became necessary, in fact, for the bank to start a training school of its own, and the results of this experiment have led the bank to extend its facilities in the manner indicated.

For many years the United States was quite content to export food products, principally in the raw state, paying but little attention to selling manufactures. Trade of this kind did not call for expert American salesmen traveling in foreign countries or resident therein. Wheat, corn and the agricultural staples generally, as well as beef, mutton and pork, move between countries in obedience to the usual laws of supply and demand, and their sale is not much helped, as a rule, by personal exertion; certainly not to anything like the extent to which the sale of manufactures is thus aided.

As the relative importance of manufactured exports has in-

creased, the necessity of having a large body of skilled salesmen, adapted to the sale of our goods in various lands, has become apparent. This is not to say that there were no salesmen of this character already in the field, for there were many of them. Investigation would probably show that, in Latin America, for example, mercantile firms and manufacturers able to provide the goods needed in that market, and who had the right kind of personal representation, made satisfactory progress in that part of the world.

Much the same qualities required to sell American goods in foreign countries are necessary to sell our banking service there. But while we have been gradually extending the sale of our manufactures abroad, and have in some degree developed an adequate selling force, we have heretofore done so little banking in other lands that there are few American young men to be had who are competent to do work of this kind.

The example of the National City Bank of New York in providing special education for young men designed to fit them for service in the foreign banking field, is one which other banks may be expected to follow when they decide to extend their relations to other countries. But should this movement not be extended so as to include a number of the large establishments manufacturing for export? The results achieved under a properly devised plan would probably more than justify the outlay.

From the practical standpoint of commercial and financial expansion this movement is an important one, but probably its chief significance lies in the linking up of university training with the actual conduct of business.

What Banks Are For

By Elliot C. McDougall
President Bank of Buffalo

BANKS are merely instruments for the service of the public. A bank's first duty is not to its stockholders or to its board of directors, but to its depositors. Such a course does not sacrifice the interests of the stockholders but promotes them. Banks cannot prosper unless the public prospers. The better the banks serve the public the better for their stockholders.

Loss of American Gold After the War

By GEORGE G. REQUARD

IN considering the probable economic condition of business and finance in the United States after the end of the struggle abroad, the first and perhaps the most important point relates to our supply of gold and the effect that the end of the war will have on it. The supply of that metal in the United States has increased enormously since the beginning of the conflict, and it will continue to increase while hostilities last and probably for a short time after peace comes. At present the flow of gold from Europe has been greatly curtailed by the clever plan of the British Government for mobilizing American securities and feeding them out to our markets. While this plan lasts and they are able to force our securities back on our hands, the rate of exchange can undoubtedly be maintained at a satisfactory figure, and while it is so maintained at 4.76 or thereabouts to the pound sterling, which under the present cost of shipping, insurance, etc., has become the export point for gold, the flow of the yellow metal to this country will be greatly curtailed but not entirely stopped. Of course, the gold export point under the present conditions is quite movable and will fluctuate as the facilities for shipping and the cost and risk for insurance are lessened or raised as the case may be.

But it is most improbable that the amount of American securities is sufficient to allow this policy of feeding them out to us to continue for any length of time, and the longer the war lasts the most improbable it becomes that the rate of exchange can be maintained. Indeed, it seems that the plan is already petering out as evidenced by the British Chancellor of the Exchequer's call for more securities, made on February 15. At the same time it does not seem probable that any of the belligerent governments can advantageously float another big loan in the United States; their credit is impaired, as shown by the prices of the Anglo-French loan bonds. It is therefore quite certain that the rate of exchange will fall and the yellow metal again pour into this country until we have far more than our normal share of the world's supply.

NOW, when the end comes, assuming that we have kept out of the conflict, the situation in all probability will be something like this. The rate of interest in the United States will be low, capital will be plentiful and therefore business will be prosperous; wage-earners will be earning more than ever before and spending more, too. Speculation will be active—too active, perhaps, unless the banks continue to discourage it as they are now doing. We must not forget, however, that their present policy will be more difficult to continue as the ever-growing supply of gold increases the funds at their disposal. As their loanable funds increase, the temptation to engage in speculative enterprises will likewise increase and the safe and sane policy will not be attractive in the eyes of many. So that a condition of inflation may be expected in the stock markets at least.

On the other hand, conditions abroad will be exactly the reverse. Capital will be scarce; not only capital as represented by gold, but capital in itself—

that is, the total wealth of all the people. Wages will be low, despite the killing off of the men in the wars. Business will, of course, be more or less at a standstill, and speculation, as we understand it generally, quite dead. And the longer the war lasts the more intensive the situation will become on both sides of the Atlantic.

Now, then, Europe will want her gold back and she will have it back. She will want her capital back and she will have it back at any price. For capital has no heart and no conscience, no sentiment. Capital will always sell itself to the highest bidder and its price is the rate of interest. The rate of interest abroad will be just high enough to draw the excess gold supply away from this country. It will not make any difference what price we might wish to demand, the situation will be beyond permanent control. I do not mean to intimate that the rate of interest abroad will be exorbitant by any means, but it certainly will be higher than here, just high enough to attract capital. The artificial stimulation of the money market here with the over-expansion that follows such stimulation might be expected to cause a reaction of its own accord under normal conditions, but such a reaction would appear impossible while the war lasts. So that the interest rate here will tend to be lower as long as the supply of gold increases. Europe, therefore, will not have to offer a very high rate to draw back her gold.

Of course, the need of retaining this gold will be felt to be absolutely imperative; the retention of capital, of which gold is but the representative, will be unquestionably necessary if the great expansion of credit is to be kept on a firm basis. But, however necessary it may be here, the need for capital in Europe will certainly be greater still. After the coming of peace Europe's credit will steadily rise just as certainly as it now declines with the continuation of the conflict. America will be willing to lend her capital for constructive purposes where she was unwilling to lend it for the destructive purposes of warfare. Railroads will have to be rebuilt, whole cities restored, and a thousand similar enterprises undertaken, all of which will require capital, capital, and more capital. Where is it going to come from? Principally from America. Investments abroad will be so much more profitable than here, and capital will yield such a greater return for its use, that it will inevitably flow there.

No doubt many ingenious methods will be attempted to restrain the outflow of gold by the American banking-houses and they may be temporarily successful, but they cannot be permanently so. It is a well-known natural law that the supply of any commodity continually tends to adjust itself to the demand for it and gold is no exception to that law. Hence it must be apparent that the excessive supply of gold in the United States, and capital, as represented by gold, will seek the place where it can demand the greater price, caused by the greater demand.

As the supply of gold seeks other fields, the consequences here can be readily foreseen. The first effect will be a tendency of credit to contract. The banks will be forced to curtail their loans, and as a result many borrowers will be compelled to cut down their operations and new enterprises will be discouraged altogether. The first to feel the evils of the situation will be the speculative interests, and the seriousness of the problem will be largely controlled by that element and the ability of the banks and other financial institutions to force the outflow into orderly and slowly-moving channels. If speculation has not been excessive and Wall Street does not lose its head, there should be no reason for a violent break in the stock markets; but neither can there be any doubt that stocks will seek a lower level of prices.

In the industrial fields, next to limitation in the supply of capital, the most evil effect will be the high price of labor. We may expect a steady increase in the wages of labor as long as the prosperity due to war conditions lasts, not only in those industries engaged in the war supply business but in other industries generally. It is well

known that it is much more difficult to decrease the wages of labor than to increase them and it is especially so under our present system; labor is always suspicious of capital and it will be impossible to convince the various unions that their wage scale is detrimental to their best interests. Consequently that will be an obstacle in the path of many industrial and other enterprises and will greatly curtail their operations.

Wherever the price of labor is high, the price of everything else is high. "Labor," says Adam Smith, "is the ultimate price of everything." The level of prices at the end of the war bids fair to reach the highest point that it has yet known in modern times. But as the supply of capital seeks other fields, it would seem that the level of prices of commodities will naturally and readily fall again, due to competition from abroad and from internal competition as well. This will be another cause of discouragement to the entrepreneur and will lead more or less rapidly to the unemployment of labor unless labor is ready and willing to accept a lower wage scale.

Thus it would seem that we may look for a period of readjustment, giving birth to depression, unemployment and a generally falling scale of prices both in the markets for the products of industry and for securities as well. How serious this will be is impossible to foretell and useless to guess. Fortunately, the Federal Reserve System was organized in time to meet the occasion and lessen the evils that might occur if we were still working under the old system. No one knows if the Federal Reserve System will bear the strain, but there is every reason to believe that it will and that it will be able to exert a beneficial control over a perplexing situation.

The coming of such a situation, it must be remembered, will not occur suddenly with the termination of the war. Europe is not going to be able to take up the thread of industrial pursuits where she left off at the outbreak of hostilities, despite the fact that there already seems to be considerable preparation for a resumption of trade and manufacturing in some of the belligerent countries. It might be safe to say that the effects of the situation as above outlined will not begin to be felt for more than a year or even two years after the war. There will have to be a period of readjustment and reconstruction in Europe before they can even get started, so that the present period of prosperity may be expected to continue in the United States for some time after the war closes. We therefore need have no fear on account of lack of time to prepare for coming events. But prepare we must for a commercial war that will be more intense than anything the world has yet seen, and whose intensity will be increased accordingly by the length of time it is deferred.

AS to the preparation we must make, several things seem so obvious that they scarcely need be mentioned. We must make our financial situation as impregnable as possible by wise banking regulations. We must allow the banks to be controlled by men who understand the mechanism of banking, and we should not permit them to be hampered by the interference of those who do not understand it, however good their intentions may be. The country has had lessons along these lines in the past that have been sad enough, and we should readily see that it is the best course to leave our banking to our bankers.

The second precaution we must take should be to encourage a spirit of thrift among our wage-earners—a spirit that is wofully lacking at present in the United States. From a recent canvass made by the New York State Banking Department it would seem that the people as a whole are saving but little more than in the past, and certainly less than they should be in proportion to the increased opportunity. We need to become more thrifty, much more thrifty.

But the main precaution we must take, the one that in its importance su-

persedes all others, is the encouragement of foreign trade, and the determination not only to acquire more of such trade now but to retain it in the face of the extraordinary competition that is sure to come. The importance of this matter cannot be overestimated, but it would require too much space to discuss it fully here. It is above all doubt the one and principal thing that will decide whether we are to retain our present position with respect to the world's wealth and prosperity or whether Europe will again regain the financial supremacy now fast passing from her.

The American Banker's Part in the Development of Our Foreign Trade

By JOHN E. ROVENSKY, Vice-President National Bank of Commerce in New York

THE banking machinery of this country is in excellent condition to perform its part in the development of our foreign trade. The operation of the Federal Reserve Act in reducing reserve requirements resulted in a lage amount of money being released from bank vaults and made available for commercial purposes, and the shipments of gold received from abroad have formed the foundation of an expansion of credit that has further increased the supply.

The joint effect of these two factors is evidenced by the low rates of interest at which money can be borrowed in this country. The supply of funds for legitimate commercial purposes far exceeds the demand. We are therefore well able to finance a large increase in both our domestic and foreign trade. What are the duties of the banker in connection with this movement?

FUNDAMENTALLY, a banker is a dealer in credits. He buys, sells and standardizes credits. For instance, the credit of John Jones, the merchant, is known to his banker. His standing may also be known to some extent to a narrow circle of his close business relations, but it is not generally known. It is the proper function of his banker to furnish him credit in such form as will enable him to purchase his goods in all parts, not only of this country, but of the entire world. This credit may be extended in various ways. If the merchandise is to be purchased in some part of this country, the banker may make a loan to the merchant against which he draws his checks in payment of his merchandise. If the purchase is to be made abroad, the credit may be extended in the form of a commercial letter of credit on the faith of which the foreign seller will ship the goods and draw in payment his draft at from one to six months' sight. In each instance, however, the part of the banker is to furnish such credit facilities as the standing of the depositor warrants and the nature of his business requires.

THE main function of a banker in connection with our foreign trade, just as it is in connection with our domestic trade, is to furnish credit facil-

ities. In the case of exporters who are compelled by the customs prevailing in foreign countries to sell on long credit terms, it is the proper function of our bankers to extend credit that will enable our exporter to meet these conditions. The limit that is naturally fixed upon such extension of credit varies in accordance with the nature of the business, the class of customers to which the exporter sells and the standing of the exporter himself. You will observe that the same principles prevail here as those prevailing in connection with domestic trade. In the case of importers, it is the proper function of a banker to furnish credit for a sufficient length of time to bring the goods to this country and market them. The extent to which such credit facilities are given again depends upon the nature of the business and the standing of the importer. Both in the case of the exporters and the importers, I have no hesitancy in saying that American banks are able and anxious to furnish all the credit that is justified by the standing of their clients and that may be necessary for carrying on their business.

IN addition to these fundamental functions, a banker should perform such incidental services as naturally come within his sphere. Through his foreign banking connections he is able to assist his clients by giving them information regarding the standing of foreign manufacturers and merchants. Our merchants and manufacturers, however, are not justified in depending solely upon the information furnished them by their banks. Such credit information should be supplemented from trade and other sources, just as in the case of domestic trade. Any American banker will be glad to advise his customers regarding the methods whereby they may obtain such additional information. Mercantile agencies are established the world over and should be used to supplement the information received from bank and trade sources. The foreign field organization of the American merchant or manufacturer should also be used in this connection.

Another important service that is rendered by the American banker is the collection of amounts due our exporters and the payment of amounts remitted by our importers. In many instances these are comparatively simple services, but in many cases an experienced foreign banker is able to give advice regarding banking customs that will avoid delay in the payment of drafts, losses on exchange, etc.

There are numerous minor services, many of them resembling to a large extent the services performed by a banker in connection with our domestic trade.

WHETHER the services I have outlined above are rendered by the American banker to his clients through the mediation of correspondent and affiliated banks, or through the mediation of agencies or branches, must depend upon the circumstances governing each case. If the American banker finds that he can render better services by establishing an agency or a branch in a foreign city, it is obviously to his advantage to do so. If, on the other hand, his correspondents in a foreign city offer such facilities that it would be impossible to furnish equal service through an agency or a branch, it is equally obvious that he should retain such connections. It is not difficult to see that the service which an American bank can obtain for its clients in a foreign city through the mediation of a large, well established local bank having an organization consisting of several hundred employees is likely to be superior to the service that it could obtain by establishing a modest branch. All these factors must be weighed before the American banker can arrive at a decision whether the interests of his depositors are best served by means of correspondent and affiliated banks or by an agency or a branch. The circumstances prevailing in each country and

even in each city must be taken into consideration separately. In many cities the large local bank has access to information which would not be open to the branch of an American bank. Through its directorate and stockholders it may also have influence in other directions that would for many years be inaccessible to a newly established branch. In many instances the best results will probably be obtained by establishing agencies which will supplement the services of the correspondent banks.

IN attempting to solve the many problems that confront us now and that will undoubtedly arise in the future in connection with the development of our foreign trade, we can only partially be guided by the experience of other countries. Because Germany has been successful by using certain methods is not in itself a convincing argument that we would be equally successful if we adopted the same methods. Our industrial, commercial and political conditions must be taken into consideration, and if our progress is to be steady, we must cautiously feel our way, adapt ourselves as much as possible to conditions as we find them abroad and not be discouraged if the rewards do not come as quickly as we had hoped.

The present war has created a vacuum in the world's commercial markets, to fill which our commodities are being drawn on at an unprecedented rate. This attractive force, however, will continue only for a short time and during that brief period we must endeavor to build up a foreign trade organization that will enable us to retain those markets when the present abnormal conditions no longer prevail. This is the hour of our opportunity.

Elasticity of the Federal Reserve Notes

IN his first annual report, Pierre Jay, Federal reserve agent and chairman of the board of the New York Federal Reserve Bank, gives the following information regarding the Federal Reserve notes:

On November 16, 1914, the first shipment of Federal Reserve notes was received by the Federal Reserve Agent from the Comptroller of the Currency. On November 19 the bank pledged with the Federal Reserve Agent $500,000 of commercial paper rediscounted by member banks and received from him a similar amount of Federal Reserve notes. These notes were not required by the banks which made the rediscounts, as they had already withdrawn by check the credits so established. They were taken by this bank for its general use. The issue of Federal reserve notes gave the reserve bank the opportunity of affording to its member banks complete interchangeability between book and note credits. The bank therefore established the policy of issuing Federal Reserve notes freely to any member bank desiring them whether the credit thus withdrawn was established by it through rediscounting, or the deposit of checks, or the deposit of gold or lawful money. In practice, however, most credits withdrawn by notes have been established by the deposit of checks which have been collected by this bank in gold or lawful money through the clearing-house. Accordingly the accumulation of cover in the hands of the

Federal Reserve Agent has been mainly gold, with but a small amount of rediscounts. The processes provided by the act for the issue of Federal Reserve notes to the reserve bank permit complete interchangeability between gold and rediscounts held by the agent. Gold may be substituted for rediscounts and rediscounts for gold, in accordance with the requirements of the reserve bank. During the entire period its requirements have been for notes with which it might exercise its statutory right to "exchange Federal Reserve notes for gold, gold coin or gold certificates."

The policy of the Federal Reserve Bank has resulted in greatly strengthening its gold position and its ability to assist its member banks or other Federal Reserve banks should they at any future time seek credit in order to withdraw gold for domestic or foreign uses. Through this policy, also it has been able, potentially at least, to retard the expansion of credit by impounding in the hands of the agent a large volume of gold which might otherwise have found its way into bank reserves already superabundant.

Furthermore, through this policy it has been able to take the first step toward accomplishing one of the purposes of the act set forth in its title, e. g., "to furnish an elastic currency." There are two forms of elasticity, one of quantity and the other of quality, both provided for in the act.

From the point of view of cover the gold certificate is completely inelastic. It stands at one extreme of our currency, with a dollar of gold set aside behind each dollar of paper. At the other extreme stands the national bank note, with only five cents of gold set aside behind each dollar of paper. The assets of the issuing bank make it good, but its elasticity is nullified by the requirement that it must be secured dollar for dollar by Government bonds.

Between these two extremes the Federal Reserve note, a new form of currency, has been introduced. For each dollar of this paper there is set aside from 40 cents to $1 in gold. As in the case of the national bank note, the obligation of the United States and the assets of the issuing bank secure it.

The process in which this and other Federal Reserve banks have been engaged is the substitution, as a circulating medium, of a note which is elastic in quality for the inelastic gold certificate. Gold is the most uneconomical medium of hand-to-hand circulation, since, when held in bank reserves, it will support a volume of credit equal to four or five times its own volume. What the reserve bank does in accumulating gold behind its Federal Reserve notes is to establish with the holder of each note a credit which may be availed of whenever the occasion requires. With his credit established it can convert at will its gold covered notes into notes covered partly by gold and partly by commercial paper. In times when credit is becoming strained and bank reserves need strengthening or when gold must be exported, this conversion will take place, and after the strain is over the gold cover will be restored through the repayments of the rediscounts substituted for it. In this way elasticity of quality in our currency is obtainable. But it should not be construed as in any way a deterioration of the currency contemplated by the act. Quite the reverse is true. The act provides for the issue of Federal Reserve notes in unlimited amounts, with 40 cents of gold behind each dollar of paper. This is elasticity of quantity, and it becomes operative with the minimum of gold cover. Elasticity of quality, on the other hand, operates with a gold cover always above the forty per cent. minimum and ranging as high as one hundred per cent.

Banking and Commercial Law

CASE COMMENT AND REVIEW

A Priest in the Role of Banker

IN the confidences that result through the relationship of priest and parishioner it is natural that implicit trust be placed in the spiritual adviser, not only concerning personal matters, but also in financial affairs. The priest is looked upon as a good business man, amply able to take care of money, and to handle the financial affairs of the parish, which as a rule involve the expenditure of considerable sums.

A certain woman living in Massachusetts, and earning about ten dollars a week as a weaver, and having saved about $450, took the same to her pastor and received in return a note signed "St. Aloysius Church, Woonsocket, Mederic Roberge, Treasurer." She brought her savings to him from time to time until they aggregated a considerable sum. The subsequent deposits were entered upon the back of the original note, and periodically reduced to a new note.

It seems that the Reverend Father alone and without the participation of any other person exercised all the functions of the corporation, and transactetd all the business. He built a church, decided upon the plans and selected the architect and contractor, involving an expense of about $30,000. The by-laws provided that no member of the board should sign any note, bond or contract on the part of the corporation except in pursuance of a resolution of the board, and signed by at least three trustees, but this rule was evidently a nullity and the pastor was allowed free range in the conduct of the church affairs. His accounts were never examined, and he was left alone in the conduct of his parish. For about twelve years the congregation allowed the pastor thus, to manage its affairs, and no supervising official attended a meeting.

The woman sued for her debt and sought to hold the corporation liable for the acts of the pastor, and also endeavored to show that in thus receiving money from her, as well as about 300 others, he was doing a banking business. In every case he gave the depositor a receipt from the church for the deposit.

When asked if he was acting as a savings bank for his people, he replied: "Well, Your Honor, to run my institution I need money. I know I have authority to borrow money, and my people find it very convenient to come to my house and bring me one, two or five dollars. It was more convenient for them to come to my house than to go to the bank." He paid them various rates of interest, and if they did not draw their interest he added it to the principal.

In a certain sense he was a depository for funds, but the court fails to find that in so doing he was conducting a bank, for he was simply *borrowing*. It holds that neither the frequency of the borrowing, nor the number of persons borrowed from, is sufficient to make a borrower a banker, or to render such transactions banking operations. Along this line, the court in Curtis vs. Leavitt, 15 N. Y., 56, said: "Borrowing is not banking, nor is it in any just or proper sense any kind of business; it is an auxiliary of various kinds of business," and defines a banker as "a dealer in capital, an intermediate party between the borrower and the lender. He borrows from one party and lends to another and the difference in the terms on which he borrows and lends is the sum and measure of his profits." The court held in this case that the congregation was liable for the amounts, but that the

priest's operations were not those of banking, although in substance they resembled the functions of a bank, the first of which is that of depository. (Martin vs. St. Aloysius Church in this issue.)

Bradstreets Liable for Credit Reports

IN the granting of credit, much confidence is placed in the reports furnished by the mercantile agencies. It is presumed, with their machinery and facilities for acquiring information, that such reports as they render shall be reasonably correct and reliable. In the assurance that this will be the case, banks and business men the country over, have liberally supported these companies, regarding the expense as trivial in comparison with the service rendered.

The contract which these companies enter into with the subscribers makes no guarantee that loss will be avoided or compensated, if credit is extended upon information furnished by them, and up to the present time they have not been held responsible for loss resulting from their reports, but in a recent case one of the leading reporting companies has been held liable for damage caused through misleading information.

The decision (rendered by the Appellate Division, New York) has not as yet come in through the regular channels, but we quote from the New York "Times," which gives a resumé of the case as follows:

"Alexander J. Munro, a fur dealer, suffered a loss of $1,650 for furs delivered to the firm of Jackson & Sulzer of 27 West Twenty-sixth street, New York. Jackson & Sulzer are now petitioned into bankruptcy. Information concerning the firm was supplied by the Bradstreet Company, and, depending upon this, Munro extended credit to Jackson & Sulzer. The Bradstreet Company set up for a defense that its contract with Munro absolved it from any responsibility for errors in information furnished concerning the standing of a commercial house.

Justice Laughlin, writing the prevailing opinion, concurred in by Justices Dowling and Scott, says in part:

"'A reasonable construction of the agency contract, I think, is merely to relieve the defendant from errors and mistakes, but not from knowingly making a false report, or gross mistake, or gross negligence in making a report to the plaintiff.'

"When Munro found that he could not collect for his goods from the Jackson & Sulzer concern he sued the Bradstreet Company. In the lower court the complaint was dismissed. Munro appealed and the lower court was reversed, the Appellate Court stating that Munro was entitled to a new trial, and that a jury might reasonably, under the evidence in the case, find for the plaintiff.

"The record of the case shows that on April 30, 1913, Munro, engaged in the fur trade in Chicago, became a subscriber of the Bradstreet Company, paying $100 for a book and the privilege of obtaining reports of the credit standing of various merchants with whom he was doing business. On August 28 of the same year, Justice Laughlin points out, Munro's agent in New York, one O'Neill, wired Munro to the effect that he had a chance to sell $1,650 worth of furs to Jackson & Sulzer, manufacturers.

"Munro then applied to the Chicago office of the Bradstreet Company for a report, but was told that there was no such information on file, but that if Munro would pay the expenses of a telegram to New York the Bradstreet people would obtain a telegraphic reply. Munro agreed, and the telegram came back to Chicago from the Bradstreet office in New York, relating that Jackson & Sulzer had assets of $58,500, with liabilities of $43,500, a surplus of $15,-000 in their business. The telegram further recited, according to Justice Laughlin:

"'The statement is corroborated by the trade. Doing a fair and deemed safe business. Deemed fair credit. Well

regarded and pay promptly as far as known here.'

"Relying on this information, the court says, Munro claimed he authorized his New York agent to make the sale on terms of credit. Just a month later, or September 30, Jackson & Sulzer were petitioned into bankruptcy. Munro sued on the ground that the Bradstreet Company had 'been guilty of gross negligence in representing they had gotten a special report when they had made no effort to do so.'

" 'The evidence is uncontroverted,' Justice Laughlin says, 'that the defendant made no special investigation or inquiry in August, pursuant to the application of the plaintiff, but relied on a credit statement made to it in March, 1913.' The opinion then continues:

" 'The plaintiff also attempted to show by evidence that the firm was insolvent at the time, but this was excluded. The defendant claims it was relieved of responsibility by a clause in the contract,' (the usual agency clause is here inserted in the decision,) 'but I am of the opinion that the plaintiff presented a case for the consideration of a jury. The defendant neither made nor attempted to make any explanation for conveying a false report to the plaintiff. On the evidence adduced the jury would have been justified in finding there was gross negligence on the part of the defendant, by which the plaintiff was misled, to his loss, into giving credit to an insolvent firm.' "

Leading Cases

Loans to a Church

RHODE ISLAND

Unauthorized Borrowing by a Church Treasurer—Liability of Church—Religious Societies

Supreme Court, Rhode Island, Nov. 19, 1915

MARTIN VS. ST. ALOYSIUS CHURCH

Where the priest of a church, treasurer of the corporation, made a practice of borrowing small sums from his parishioners, giving the church's notes therefor bearing interest at four to six per cent., doing so both for the convenience of the church and for that of the parishioners, who were poor people, resident somewhat distant from the nearest bank, such church was not engaged in "banking," which is the business of acting as intermediary between the borrower and lender of capital, in the establishing of a common fund for lending money, the business of dealing in capital, of acting as the intermediate party between borrower and lender, since none of the characteristics of banking were present in the priest's transactions, except borrowing.

(95 At. Rep.)

ACTION of assumpsit by Philanise Martin against the St. Aloysius Church. Defendant excepts to a directed verdict for plaintiff. Exceptions overruled, and case remitted to the superior court, with direction to enter judgment for plaintiff upon the verdict.

STATEMENT OF FACT

JOHNSON, C. J.: This is an action of assumpsit. The declaration contains counts upon promissory notes, for money had and received, and for accounts stated. The defendant is a church corporation of the Roman Catholic faith established in the city of Woonsocket in 1902. Under this law the bishop, the vicar general, and the pastor of the congregation, together with two laymen, selected each year by them from the lay members of the congregation, constitute the membership of the corporation. * * *

Shortly after the incorporation of the defendant in 1902 the members met, organized, and adopted by-laws.

From the foundation of the parish to early in the year 1914 Rev. Mederic Roberge acted as treasurer of the corporation with the knowledge of all the members of the corporation.

The plaintiff, Philanise Martin, whose residence is New Bedford, Mass., was by occupation a weaver in the Social Mills at Woonsocket, and prior to her removal to New Bedford five years ago

had lived in Woonsocket for many years. Her earnings as a weaver amounted to about $10 per week, and in 1902, having on hand the sum of $450, she brought the same to Mederic Roberge, who at the time and continuously during the period covered by the transactions shown in evidence was the pastor of the parish and treasurer of the defendant corporation, for which she received from said Mederic Roberge, treasurer, a note purporting to be the note of the defendant corporation, and signed, "St. Aloysius Church, Woonsocket, Mederic Roberge, Treasurer." Mederic Roberge, when asked as to the nature of his business dealings with the plaintiff, said:

"She used to bring me her savings. Q. And how much was her first loan? A. Her first loan was $450. Q. What evidence did you give her of the church's indebtedness to her? A. I gave her a note; the same as the note I gave to the bank, as treasurer. Q. You mean, signed the same as the note you gave to the bank as treasurer? A. The same, 'St. Aloysius Church, Woonsocket, Mederic Roberge, Treasurer.'"

He testified that this was about June, 1902; that following that first loan and note she made further loans to the church very frequently, sometimes once a month, sometimes twice a month. Asked what evidence he gave her of these loans, he answered:

"Well, I used to enter those loans on the back of the note she had first, and then every six months I added these small loans to the loan that was on the face of the note, and put interest money and new note. Q. Make a new note? A. Yes; dated at the time."

The testimony was that this continued until an occasion when the plaintiff sent some money by mail, and kept her old note, when a new note was given to plaintiff, and thereafter she sent or carried sometimes one note and sometimes the other. These notes were always payable on demand, with interest at the rate of six per centum per annum. At the time of the commencement of this suit the plaintiff held two such notes of the defendant corporation, one for $1,250.62, dated July 25, 1913, and the other for $3,000, dated November 1, 1913.

Two articles of the by-laws, the fourth and eighth, introduced in evidence, are as follows:

"IV. At any regular meeting of the board a majority of the trustees, one of them being a layman, shall constitute a quorum for the transaction of business; but in all matters relating to the sale or mortgage of the property of the church or to the incurring of any indebtedness on the part of the church, exceeding the sum of five hundred dollars, the acts of such quorum in order to be valid must be confirmed by the written approbation of the bishop or of the administrator of the diocese."

"VIII. No member or members of this board shall have any power or authority to sign any note or bond or any other evidence of debt or to contract any debt or liability on the part of this corporation, except in pursuance of a special resolution of the board of trustees for that purpose entered on its minutes and signed by at least three trustees and in conformity with the fourth article of these by-laws."

The latter by-law was, however, habitually ignored by the treasurer with the knowledge of the other members of the corporation. It appeared from the evidence that the business of the corporation was carried on solely by the treasurer. Business, which included the contracting of many and large debts, was transacted by him alone with the knowledge of the other members of the corporation.

In the year 1902 the pastor and the two lay members of the corporation held two meetings, but afterwards no meeting of the corporation apparently was ever held, although records of such meetings from 1906 to 1914 were drawn up by the treasurer and signed by the secretary. From 1902 until 1906, however, not only were meetings not held, but no records of meetings were made. From 1902 until 1914 Rev. Mederic Roberge, from his testimony, alone and without the participation of any other

person, exercised the functions of the corporation and transacted all its business. He built a church edifice and determined alone the plans and specifications thereof, selecting the architect and contractor, and making the contract therefor, which involved the expenditure of $28,000 or $30,000.

He ordered extras in the construction of the church building and paid for them out of corporation funds. He selected, and made the contract for, the furnishing of the church. He hired in the name, and paid for from the funds of the church, men to do the grading around the church edifice, involving the expenditure of $1,500. He determined upon establishing a parochial school for his parish, which he purchased and maintained in the name and at the expense of the corporation. In the course of his treasurership, whenever repairs were necessary, he made contracts therefor and paid for the same out of the corporation funds. During his treasurership he engaged all the labor and personal service that were required by the church, including services of the organist, sexton, etc. He purchased in the name, and paid for from the funds, of the corporation all the supplies used in the church during his treasurership.

In one of the meetings of the corporation held in 1902 the treasurer was authorized to borrow $15,000 at the Globe National Bank, Woonsocket, R. I., payable with interest at the rate of 4½ per cent. Under this authority he borrowed the money authorized and gave the note of the corporation therefor. Every six months later, without any further authority, but with the knowledge of the members of the corporation, he renewed this note, paying the interest and sometimes a part of the principal. In addition to borrowing this sum authorized, he also borrowed various sums from the Mechanics' Savings Bank, Woonsocket, R. I., with the knowledge of the members of the corporation, but without a resolution authorizing the loans. He also borrowed on different occasions, and at different times, from the various banks in the city of Woonsocket. The evidence does not show whether every particular loan was known to the members of the corporation, but on one occasion at least the note for the loan was indorsed by the two lay members of the corporation. The treasurer was also in the habit of borrowing for the corporation during the time of his treasureship from various individuals with the knowledge of other members of the corporation.

The by-laws provide for the examination of the treasurer's accounts at least once a year by two of the members of the corporation and for the delivery to the bishop of a copy of the statement thereof. The accounts of the treasurer, however, were never examined by any one. The practice was for the treasurer to prepare a statement and have the lay members of the corporation sign the same, without any examination of the treasurer's books in which he kept his accounts. When the books were presented to them for examination, they neglected to examine, saying they did not want to see the books.

The books of the treasurer were inartificially kept. Many items, both of receipts and expenditures, are omitted. There is no record in the books of the receipt of $4,500 borrowed and authorized in 1906, of $2,500 borrowed and authorized in 1909, of $1,500 borrowed and authorized in 1910, of $400 borrowed and authorized on January 26, 1912, of $400 borrowed and authorized on April 1, 1912, of $200 borrowed and authorized on May 21, 1912, and of $500 borrowed and authorized on December 23, 1912. As to these sums, referred to above as authorized, it appears by the records made by the treasurer that they were authorized; but the meetings were not held. There is no entry in the books of the expenditure of $4,500 for the purchase of real property in 1906, or for the expenditure, except for an inconsiderable part, for the building and equipment of the church in 1902 and 1903. As to said item of $4,500, Father Roberge testified on cross-examination:

"I forgot to charge it. I put the note into the assets of the church—the note;

but I forgot to charge up to the church."

The accounts of the treasurer were kept in two books; the larger, called the treasurer's book, apparently containing only the routine receipts and expenditures, and a smaller book containing the loans to the corporation and a list of the outstanding notes. Each year during his treasurership, except in 1913, the treasurer, Rev. Mederic Roberge, in accordance with the by-laws, forwarded to the bishop a copy of the statement of the corporation's financial affairs.

These statements to the bishop were made out on printed forms, with which the treasurer had been furnished, and these forms contained, among other printed requests for information, requests for statements of the amount of "Money Borrowed," and of "Amount of Debts." Under the heading of "Money Borrowed," no statements were made, except for the year 1902, when $15,000 is reported, and for the year 1909, when $1,000 is reported, although, in addition to the borrowings reported, $4,500 was borrowed in 1906, $2,500 in 1909, $1,500 in 1910, and $1,500 in 1912, with the knowledge and by the written consent of the bishop. Neither are the expenditures, before referred to, of $4,500 for the purchase of real estate in 1906, reported in the statement to the bishop, although this expenditure was authorized and consented to in writing to the bishop. Under the heading, "Amount of Debts," the debt from 1909 to 1912, inclusive, remains the same, namely, $12,980, although it appears that the debt was increased in 1912 by four loans to the church in that year, amounting in the whole to $1,500.

Although the records show special resolutions authorizing the treasurer to borrow specific sums of money, it nowhere positively appears whether or not the money loaned by the plaintiff was a part of the debts of the corporation reported by the treasurer. The latter testified that he was unable to say whether the debts reported included the loans by the plaintiff.

Neither does it positively appear whether, in any of the instances of the loans by the plaintiff to the defendant, the treasurer acted under any of the resolutions recorded in the record book of the defendant corporation, or under his custom to borrow without such authority. Father Roberge testified that in November, 1907, the bishop, on the occasion of a call at his parish, finding that no meetings had been held since 1902, informed him that he should have his records written up, and for his convenience wrote up records for a meeting in the preceding January which had never been held, and told him to have the secretary sign them.

Thereafterwards, using the record that the bishop had written as a model, Father Roberge each year wrote up records for a meeting which had not been held, and sent them to the secretary for his signature. In the records of meetings actually held in 1902, as also in the records of meetings not actually held, the only business transacted, or recorded as having been transacted, had relation to the purchase of real estate; no other business was ever transacted or recorded as ever having been transacted. From 1902 up to 1913 or 1914, no business, except in relation to acquisition of real property, was transacted, in which any member of the corporation, except the treasurer, took part.

No testimony was introduced denying the loans made by the plaintiff; no testimony was introduced denying the due execution of the notes by the treasurer; and no testimony was introduced denying the acts which he testified that he had performed in the exercise of his treasurership, or showing that any other person had participated with him in the management of the affairs of the corporation. Father Roberge testified that all the members of the corporation knew that he was borrowing money, both from the banks and from individuals, and although the members of the corporation for the various years were accessible to the defense none of them was called to contradict Father Roberge's testimony in this respect. For about 12 years the members of the

corporation allowed Father Roberge to do what he pleased in the name of the corporation and in the management of its affairs. Neither the bishop nor the vicar general ever attended a meeting in the 12 years of the corporation's existence, although the former was by his office chairman thereof; and the lay members only attended the meetings of the first year. The lay members never examined the treasurer's books and accounts, although the duty to do so was imposed upon them by the by-laws.

The defendant offered to introduce in evidence the various reports of the treasurer to the bishop, in which specific mention of the claims in suit was not made, except in the report of 1913. These reports were finally allowed to be introduced by the court in so far as they affected the credibility of Father Roberge. The latter was cross-examined with respect to these reports, and a number of the defendant's exceptions related to this cross-examination.

OPINION OF THE COURT. JOHNSON, C. J.

THE foregoing facts, except where otherwise indicated, were testified to by the plaintiff and by Rev. Mederic Roberge, whom plaintiff called as witnesses. None of these facts were controverted or denied by the defendant. The only witness testifying in behalf of the defendant was the bishop, whose testimony did not controvert the above facts. As far as his testimony goes is to deny any knowledge of borrowing on the part of the treasurer beyond that reported in the annual statements of the treasurer.

The case was tried before Mr. Justice Barrows and a jury on October 21, 22, 23, and 26, 1914, at the Woonsocket session of the superior court commencing the third Monday of October, 1914. At the conclusion of the evidence for the plaintiff and for the defendant, the court directed the jury to return a verdict for the plaintiff for the sum of $4,483.57, and the case is now before this court upon the defendant's bill of exceptions.

The exceptions are to the granting of the motion for the direction of a verdict for the plaintiff, to the denial of the motion for the direction of a verdict for the defendant, and to rulings upon the admission and exclusion of evidence. In their argument upon defendant's exceptions, counsel contend that:

"The treasurer of a corporation formed for ideal purposes has no inherent, implied, or ex officio power to bind the corporation by executing negotiable paper."

The verdict for the plaintiff was not directed by the judge upon the ground that the treasurer of such a corporation had such inherent, implied, or ex officio power. In granting the plaintiff's motion for the direction of a verdict for the plaintiff, the judge said:

"I appreciate that this case is a very unique case, and perhaps may involve a good deal more than this particular case; but as I have listened to it, and as it strikes me, it seems to me that the only possible question which I could submit to the jury here would be a question of the credibility of Father Roberge, as to the question as to whether or not this money was loaned, and as to whether or not he was allowed to conduct all the affairs of the corporation himself. On those two points it seems to me that, without any testimony on the other side having been introduced, I am not justified in submitting that question to the jury. The case of Savage v. Rhode Island Co., 28 R. I. at 391, it seems to me rules me on that particular point. So that Father Roberge not having been disputed, and the only dispute or doubt of his story coming from such guesses as I might ask the jury to make from the absence in the records of certain entries, it seems to me I am not justified in saying that this money has not been loaned.

"The other question is a question largely of law, and the court has already intimated, and perhaps more than intimated, stated positively, its views on that law. That point I appreciate is a close point and not perfectly plain. It

does seem to me, however, that it was within the corporate power of this organization, St. Aloysius Church, to borrow money for their religious uses. Father Roberge's testimony has been that the money that he borrowed from this woman was used for religious purposes, and so it seems to me that it cannot be said that his acts in that respect were beyond any authority that the corporation possessed under any circumstances. It seems to me that in that respect the case is very nearly like the Lincoln Case (Eliot Nat. Bank v. Woonsocket Electric Machine & Power Co., 31 R. I. 57), which was referred to the other day in the argument; that the trustees having given over to Father Roberge the entire management of the enterprise, while he was expressly forbidden by the by-laws from doing certain acts, when an innocent third party is loaning money to a man who is so intrusted with the authority by the other trustees, that the corporation cannot fall back on the defense that that was not authorized or was beyond the pale of corporate action. So it seems to me in this case the testimony has shown that the plaintiff had no knowledge of Father Roberge's excess of authority, and I don't see anything to show that she was chargeable with anything to put her on inquiry of his excess. I don't know just where the line is to be drawn between a banking business and a loan business; but in this particular case, from the state of the evidence as far as this particular plaintiff is concerned, it does not seem to me I could fairly submit to the jury the question of whether she was chargeable or put upon inquiry that Father Roberge was doing a banking business. Therefore it seems to me I am compelled to grant the motion of the plaintiff for the direction of a verdict and, as a corollary, to deny the motion of the defendant."

The cases which defendant's counsel cite to the effect that treasurers of non-trading corporations have no authority, by the mere name and nature of their office, to borrow money, are not lacking in language indicating that such authority may be implied from the conduct of the corporation. Thus in Craft v. So. Boston Railroad, 150 Mass. 207, cited by the defendant, the court, after holding that the power to borrow money could not be implied from the name and nature of the office of treasurer, says:

"It does not appear that the company in any way held out Reed to the public, or to the plaintiff, as having any such authority. * * * Action, therefore, cannot be maintained on the note."

In Cattron v. First Universalist Society, 46 Iowa, 106, also cited by the defendant, the court said:

"Upon an examination of the articles of incorporation introduced in evidence, it appears that the business of the defendant was required to be managed and conducted by the officers as a board of trustees. The officers consisted of a president, two vice-presidents, a secretary, and a treasurer. The president and secretary only executed the note sued upon, and there is no showing that by any by-law, act, resolution, or custom of doing business authority was conferred upon the two officers named to execute notes or transact other business of the corporation. In the absence of such showing it must be conceded that the note was not originally executed and delivered by the defendant."

In Merchants' Bank v. Citizens' Gaslight Co., 159 Mass. 505, the court, after deciding that the treasurer of the defendant corporation had no authority, by virtue of his office, to borrow money and sign notes, says (159 Mass. page 506, 34 N. E. 1084 [38 Am. St. Rep. 453]):

"On the facts proved at the trial the plaintiff might well claim, if the jury believed the evidence, that the treasurer had authority to indorse the notes in suit, derived, not from any expressed direction, but from the course of conduct and dealing of the treasurer with the knowledge and implied assent of the directors of the corporation."

That the treasurer might have authority to borrow money and give the notes of the corporation therefore, derived not from any express direction of the corporation, but from the course of conduct

and dealing of the treasurer with the knowledge, acquiescence, and implied assent of the members of the corporation, is well supported by authority. In Beers v. Phœnix Glass Co., 14 Barbour (N. Y.) 360, the court says:

"If the managers faithfully perform their duty, they exercise a constant and vigilant supervision over the acts of their officers, and where such acts are unauthorized, or in opposition to their will, they should, and probably do, direct their discontinuance, and in case of willful or palpable violation of duty dismiss the agent. * * * If the directors of a company, no matter whether through inattention or otherwise, suffer its subordinate officers to pursue a particular line of conduct for a considerable period, without objection, they are as much bound to those who are not aware of any want of authority, as if the requisite power had been directly conferred." * * *

In N. Y. & N. H. R. R. Co. v. Schuyler, 34 N. Y. 30, at page 58, the court said:

"The company placed in Schuyler's hands the very instrumentalities by which the injury was wrought. They imposed restrictions upon their use, but they omitted the safeguards, that ordinary prudence would dictate, to discover or prevent their abuse. A wrong which ordinary care will prevent is in a legal sense caused by the omission of that care, where it is a duty to use it. past frauds would have arrested his career of crime. A discovery would have followed the examination of the books of the office, which were the only records of the vast stock transactions of the company at New York. An examination was a duty, because it was the obvious dictate of good sense, as the easiest and safest check upon the agent's conduct. The long-continued and reckless omission was therefore a culpable negligence, without the concurrence of which Schuyler could not have committed the frauds by which the defendants have suffered; for it was this omission of duty that left him with power to wield the weapons with which the company had armed him, and therefore it may be said to have led directly to the injurious acts."

And at page 50:

"A corporation aggregate being an artificial body—an imaginary person of the law, so to speak—is, from its nature, incapable of doing any act, except through agents to whom is given by its fundamental law, or in pursuance of it, every power of action it is capable of possessing or exercising. Hence the rule has been established, and may now also be stated as an indisputable principle, that a corporation is responsible for the acts or negligence of its agents while engaged in the business of the agency, to the same extent and under the same circumstances that a natural person is chargeable with the acts or negligence of his agent; and 'there can be no doubt,' says Lord Chancellor Cranworth in Ranger v. Great Western R. R. Co., 'that if the agents employed conduct themselves fraudulently so that if they had been acting for private employers the persons for whom they were acting would have been affected by their fraud, the same principles must prevail where the principal under whom the agent acts is a corporation.' "

In Rathbun v. Snow, 123 N. Y. 343, the court said:

"It follows from the general principle, now well settled, to the effect that third persons may act upon the apparent authority conferred by the principal upon the agent, and are not bound by secret limitations or instructions qualifying the terms of the written or verbal appointment, that the defense based upon the limitation in the by-laws of the company, of which the plaintiff had no knowledge, cannot be sustained. By-laws of business corporations are as to third persons private regulations, binding as between the corporation and its members or third persons having knowledge of them, but of no force as limitations per se as to third persons of an authority which, except for the by-law, would be construed as within the apparent scope of the agency."

See, also, Eliot Nat. Bank v. Woonsocket Elec. Mach. & Po'r Co., 31 R. I. 57, where the foregoing cases are cited, discussed and approved.

"When a corporation, formed for the control of property for religious purposes, engages in purely secular affairs, such as the building of churches, it becomes subject to the same principles of law and the same doctrines as to ratification, acquiescence, and estoppel as a private civil corporation. The society cannot accept the benefits of a transaction and then refuse to pay on the ground that the contract was ultra vires." 24 Am. & Eng. Encyc. of Law, p 346.

In Moore v. F. R. C. M. E. Church, 117 Iowa, 33, the court says:

"We cannot assent to the proposition that the secular acts of religious corporations are to be governed by principles of law other than those applied to civil corporations. A corporation formed for the advancement of religion and for the control of property for religious purposes may, to a very great extent, determine the rules by which its affairs shall be controlled; but when it engages in purely secular business, such as the building of churches, and the like, it becomes subject to the same rules and principles which govern other corporations."

In Norwegian E. L. B. C. v. U. S. F. & G. Co., 81 Minn., 32, 37, 83 N. W. 487, the court says:

"On principle and authority, religious corporations must be governed by the same rules that control private civil corporations. The equitable doctrine of ratification, acquiescence, and estoppel applies with the same force to members of a religious society as to stockholders in any ordinary civil corporation. A religious society or organization authorized by law to build its church has power to direct its trustees or a committee of its members to supervise and control the work. It may put the entire matter into the hands of its board of trustees, or into the hands of a so-called building committee. If the board or committee act without preliminary direction or authority in any particular manner, no reason exists why there cannot be a full, complete, and binding ratification and approval by the congregation of these acts. There certainly can be no distinction made in this respect between a religious corporation and one of the ordinary civil character."

In Wilson v. Tabernacle Church, 28 Misc. Rep. 268, the court says:

"The contention of the defendant in this case is to the effect that if the treasurer of a religious corporation should in fact borrow money to pay indebtedness incurred for the legitimate purposes of the corporation, and the corporation should thereafter use the money in payment of such indebtedness, they would not be required to repay the same, if the board of trustees of the corporation, at the time they used the money, were not aware of the fact that the moneys were the proceeds of a loan, and not a contribution. No authority has been called to my attention holding any such doctrine. It is contrary to every rule of law and equity. There is no evidence in this case to estop the plaintiff from demanding a return of the money. The dire consequences to religious corporations of applying this rule of law applicable to ordinary business transactions is imaginary rather than real."

Defendant's counsel argue that even if the other trustees knew of the borrowing by the treasurer and the giving of the corporation notes therefor, if they did not act as a body, the corporation is not bound. They say in their brief:

"For we submit the rule to be: If the trustees of a religious corporation are the only persons empowered to bind the corporation legally, in order to do this the trustees must meet as a board and take action as such. The separate and individual action of the trustees, or any number of them, is not binding upon the corporation, and cannot of itself create a corporate liability."

While the rule stated is supported by authority, and we do not here question its soundness, it is not applicable to a case where the ground relied upon to

establish the authority of the treasurer to borrow money and give the notes of the corporation therefor is, not the action of a portion of the trustees, or all of them, acting separately, and not as a body, in so borrowing, but the abandonment by the other trustees of the whole conduct of the business affairs of the corporation, including such borrowing, and giving of notes, to the treasurer, and their negligent acquiescence therein.

Is the defendant liable for money had and received and for account stated? The testimony of the plaintiff and of the treasurer of the defendant corporation is that the plaintiff carried the money to the church and there delivered it in person to the treasurer, on the various occasions of her loans. The money was received by the treasurer and by him placed in the common fund of the church, in its safes, from which it was paid out, as occasion arose, for any of the purposes of the corporation. The funds of the church were wholly in the charge and under control of said Roberge, and were dispensed by him apparently without any restriction by the other members of the corporation. From this common fund he not only paid the routine expenses, but also dispensed the charities of the church. It thus appears that the money of the plaintiff was had and received by the defendant; for the possession of the treasurer was the possession of the church. In Cook vs. American Tubing & Webbing Co., 28 R. I., page 65, the court says:

"We are at a loss to imagine, therefore, how it can be contended, as against this claimant, that the sum lent did not come to the possession of the webbing company. When it was deposited to their credit, it was as completely under their control, so far as appearances went, as if it had been handled in specie to the treasurer in their office."

In the case at bar it was so handed to the treasurer. These facts seem to present a just and proper case for money had and received.

Defendant's counsel contend that the rule that "the declarations and representations of a person presuming to act as the agent of another are not admissible to prove his agency" was violated by the admission of the testimony of Roberge that he acted as treasurer of the defendant corporation and that he borrowed money from the plaintiff and others for the corporation and gave the notes of the corporation therefor. Counsel also include as open to the same objection the admission of the testimony of the plaintiff that she had business dealings with the defendant corporation and loaned money to it, and that she had those dealings with Mr. Roberge himself as treasurer, which testimony preceded said testimony of Roberge; an objection to the continuation of this line of testimony having been sustained until the authority of Roberge should be established.

While it is the general rule that the declarations of an alleged agent are not admissible against the alleged principal to prove the fact of his agency, the testimony of the agent is competent in establishing the fact of agency. In Mechem on Agency, section 285, it said:

"The agent certainly cannot confer authority upon himself, or make himself agent, merely by saying that he is one. Evidence of his own statements, declarations, or admissions, made out of court, therefore (as distinguished from his testimony as a witness), is not admissible against his principal for the purpose of establishing, enlarging, or renewing his authority."

See sections 291, 292.

"In receiving the testimony of the alleged agent to prove or disprove the fact of agency, the general rule that a witness must testify to facts, and not to conclusions, is applicable, and hence it is not competent for the agent to give his opinion or state his conclusion as to the fact of agency; but he may state the facts and circumstances concerning the various transactions between him and the alleged principal, leaving the court and the jury to determine, under the facts disclosed, whether or not he was

such agent." 31 Cyc. 1652; 2 Corpus Juris, p. 935, section 691.

"The rule that the declarations of an agent are, as against his principal, inadmissible to prove the fact of his agency, does not apply to his testimony as a witness on the trial in which such fact is in issue; and consequently the testimony of the agent, unless he is disqualified for some other reason, is competent to establish the fact of his agency, and the existence of facts from which the agency may be inferred, at least where the authority was verbally conferred, and to refuse to allow him to testify and be cross-examined is reversible error."

The defendant takes nothing by this class of exceptions.

Defendant's counsel also contend that the acts of Father Roberge in borrowing of various people, including the plaintiff, in small sums, payable on demand, with interest, amounted to a banking business, and were ultra vires as to the defendant itself, and such acts could not bind the defendant or be ratified by it. Defendant has cited and quoted various authorities and cases giving definitions of banking, among others Oulton v. German Savings Security, etc., 17 Wall, 118, where the court says:

"Banks in the commercial sense are of three kinds, to wit: (1) Of deposit; (2) of discount; (3) of circulation. Strictly speaking the term 'bank' implies a place for the deposit of money, as that is the most obvious purpose of such an institution. Originally the business of banking consisted only in receiving deposits, such as bullion, plate, and the like, for safe-keeping, until the depositor should see fit to draw it out for use; but the business, in the progress of events, was extended, and bankers assumed to discount bills and notes and to loan money upon mortgage, pawn, or other security, and at a still later period to issue notes of their own, intended as circulating currency and a medium of exchange, instead of gold and silver. Modern bankers frequently exercise any two or even all three of those functions; but it is still true that an institution prohibited from exercising any more one of those functions is a bank in the strictest commercial sense."

In 5 Cyc. 432, banking is defined as "the business or employment of a banker, the business of establishing a common fund for lending money, discounting notes, issuing bills, receiving deposits, collecting the money or notes deposited and negotiating bills of exchange," and a banker as "a dealer in capital, an intermediate party between the borrower and the lender," citing Meadowcrof v. People, 163 Ill. 56, 65, where the court says:

"A banker is a dealer in capital, an intermediate party between the borrower and the lender, who borrows of one party and lends to another; and the business of banking is, among other things, the establishing of a common fund for lending money."

Cyc. also cites Curtis v. Leavitt, 15 N. Y. 167, where a banker is defined as:

"A dealer in capital, an intermediate party between the borrower and lender. He borrows of one party and lends to another, and the difference between the terms on which he borrows and lends is the source and measure of his profits."

It appears from the testimony of the treasurer of the defendant corporation, in his cross-examination upon the subject of his annual reports to the bishop, that, as well as borrowing from the plaintiff in behalf of the church, he had also borrowed from a large number of other persons in the same manner that he had borrowed from the plaintiff; that he gave to them in each case a promissory note; that whenever the lenders wanted the money he paid it to them with interest up to date. He estimated their number at "may be a little more, may be a little less" than 300. He said he received some money every day and gave some every day—almost every day. The court asked:

"Do I understand, Father Roberge, that you were acting as kind of a savings bank for those people? They came and deposited money with you, and then you gave them a church receipt for it,

and then they came and drew it any time they wanted to?"

Witness: "Well, your honor, of course, to run my institutions I needed money, and I knew I was authorized to borrow money, and my people found that very convenient, to come to my house and bring one, two, or five dollars, so they might have a little amount of money in case of need. It was more convenient for them to come to my house and pay it than to go to the banks, where it was so far."

The Court: "Well, they were loaning it to you to run the institutions, you say? Is that the way you gave them to understand?"

Witness: "Oh, yes; always, your honor."

Again he testified:

"I live on Rathbun street, and a great many of my people live farther yet, and at that time there was no bank in Social Corner. They have to come on Main street. And a great many people wanted to save a little money, and they brought me their money. Not as in a bank. I know I needed money, and I use that money to run my church, but not as a banking institution. Instead of going to the bank to borrow $100, or $500, I require that money from all my congregation. They receive a little interest, and the poor woman had not to go a mile and a half or two miles to save a dollar or two."

He further testified, as to the rate of interest that he paid, "4, 4½, 5, 5½, and a very few 6"; that he paid the interest every six months, and if they did not draw interest he added it to the sum; if they drew the interest he made another note dated from the day he was paying the interest, "so that the date of the face of the note was the date from which the interest began."

The annual reports to the bishop were admitted in evidence only so far as they tended to impeach the credibility of the treasurer's testimony. If, however, the testimony as to loans by others than the plaintiff may be considered for the purpose of giving character to plaintiff's loans, can the borrowings by the defendant be considered as banking operations? Neither frequency of borrowing, the amounts borrowed, nor the number of persons borrowed from is sufficient to make the borrower a banker or to render such transactions banking operations. As the court said in Curtis v. Leavitt, 15 N. Y. 56:

"Borrowing is not banking, nor is it in a just and proper sense any kind of business. It is the incident and auxiliary of various kinds."

None of the characteristics or incidents of banking being present in the transactions shown in evidence, except borrowing, which is incidental to various kinds of business, we are of the opinion that said transactions cannot be held to constitute a banking business. In our opinion the court did not err in the direction of a verdict for the plaintiff. There was consequently no error in the denial of the motion for the direction of a verdict for the defendant. We have considered the defendant's exceptions to the admission and exclusion of evidence, and find no reversible error therein.

All of the defendant's exceptions are overruled, and the case is remitted to the superior court, with direction to enter judgment for the plaintiff upon the verdict.

(95 At. Rep. 768.)

Partnership Property

Oklahoma

Check Gi en to Partnership Used for Personal Debt

Supreme Court of Oklahoma, Sept. 14, 1915.

NICHOLS & CO. ET. AL. VS. THOMAS.

Each member of a partnership has a joint interest in all the partnership property; and one member has no right to use partnership property other than for the benefit of the partnership, without the knowledge, consent, or approval of the other members thereof.

Where one member of a partnership, without the knowledge, consent, or approval of the other, indorses a firm check in payment

of his past-due debt, and the recipient receives said check with the knowledge that the same is being so used and that said partnership is insolvent, he cannot be said to be a bona fide holder thereof.

ACTION by C. A. Thomas against Nichols & Co., of Oklahoma City, Okla., wherein W. J. Laws intervened. Judgment for plaintiff, and defendant and intervener bring error. Reversed and remanded.

STATEMENT OF FACT AND OPINION

DUDLEY, C. This is an action upon a check of $177.20, dated September 29, 1910, drawn by the plaintiff in error, Nichols & Co., hereinafter referred to as the defendant, on the Oklahoma State Bank of Oklahoma City, Okla., payable to the order of the Weatherford Creamery Co. of Weatherford, Okla., a partnership composed of the plaintiff in error W. J. Laws, hereinafter referred to as "intervener," and M. E. Burton. The defendant, being indebted to said partnership in the amount of said check, mailed said check for said amount to said partnership in payment thereof. Burton was indebted to the defendant in error, C. A. Thomas, hereinafter referred to as plaintiff, in the sum of $155 for medical services.

This indebtedness was past due and the plaintiff was urging payment. Burton obtained possession of said check, indorsed and turned it over to the plaintiff in payment of said indebtedness, whereupon the plaintiff cashed said check and paid to Burton $22.20 in cash, the difference between the said check and the amount of said indebtedness. The check was indorsed, "Weatherford Creamery Co., per M. E. Burton." The intervener did not know nor have any knowledge of the transaction between the plaintiff and Burton at the time it occurred, but, upon learning of it, notified the defendant of the facts with reference to the transaction and requested it to stop payment upon the check, which it did. Following this, plaintiff brought this action against the defendant to recover the amount of said check. Laws intervened and sought to recover the amount of the check for the use and benefit of the firm. There was judgment for the plaintiff, from which the defendant and intervener have appealed.

There is no dispute as to the facts, so there is nothing for us to do but to apply the law. The plaintiff knew that Laws and Burton were partners, doing business as the Weatherford Creamery Co., and that the firm was insolvent, or practically so; that Burton used a firm check in payment of his personal past-due obligation, without the knowledge, consent, or approval of the intervener, the other member of the firm. The case was tried to the court without a jury. The defendant and intervener interposed a demurrer to the evidence, which was overruled. They offered no evidence. Thereupon the court rendered judgment against the defendant in favor of the plaintiff for the amount due on said check.

The first question to be determined is whether or not Burton had the right to use and apply the firm check in payment of his individual debt, without the knowledge, consent, or approval of his partner, Laws, the intervener. We think not. Each member of a partnership has a joint interest in all the partnership property. Section 4434, Rev. Laws 1910; Milligan v. Mackinlay, 108 Ill. App. 609. The relations of partners are confidential. They are trustees for each other as to partnership property. Section 4439, Rev. Laws 1910. A partner has no right to deal with or use partnership property other than for the benefit of the partnership. Koyer v. Willmon, 150 Cal. 785; Llewelyn v. Levi, 157 Cal. 31. One member of a partnership cannot use or apply the partnership assets to the payment of his individual debt, without the knowledge, consent, or approval of the other members thereof, and that unless the trans-

action is a bona fide one, property so used or applied may be recovered for the benefit of the partnership. 30 Cyc. 501, 502, and cases cited; George on Partnerships, pp. 179-184; Lindley on Partnership (2d Am. Ed.) pp. 413-417; Parsons on Partnership (4th Ed.) section 90; Eady v. Newton Coal & Lumber Co., 123 Ga. 557; Morrison v. Austin State Bank, 213 Ill. 472; Reyburn v Mitchell, 106 Mo. 365; Caldwell Bank & Trust Co. v. Porter et al., 52 Or. 318; Hartness v. Wallace, 106 N. C. 427; Cannon v. Lindsey, 85 Ala. 198; Rogers v. Batchelor, 12 Pet. 221; Union Nat. Bank v. Underhill, 102 N. Y. 336.

The plaintiff contends that intervener knew or had knowledge of the fact that Burton used the firm check in payment of his individual debt. The record does not bear out this contention, but, upon the other hand, shows conclusively that the intervener did not know of the transaction at the time it occurred. The only testimony upon that question is that of Burton himself, and he testified that his partner knew nothing of the transaction. We therefore conclude that Burton had no right to use the firm check in payment of his individual debt.

The next question to be determined is whether or not the transaction was a bona fide one. We think not. The partnership was under no obligation to pay Burton's debt. The plaintiff knew that Burton was using the firm's check in payment of his past-due debt, that the firm was insolvent and would not be benefited by the transaction, and that Burton in so using said check was practising a fraud on the partnership. Morrison v. Austin State Bank, supra; Lindley on Partnership (2d Am. Ed.) pp. 413-417, supra; Parsons on Partnership, section 90, supra; Hartness v. Wallace, supra. Burton had the right to indorse the check and use it in the interest of the partnership, and any act of his in this respect within the scope of his authority would be binding upon the firm. Cassidy v. Saline County Bank, 14 Okl. 532, 78 Pac. 324. His act, however, in using the firm check in payment of his own debt, is not reasonably within the scope of the partnership and is not binding on the partnership without the knowledge, consent, approval or ratification of his partner, and such knowledge, consent, approval, or ratification must be established by evidence affimatively showing it or from which it may be clearly inferred. Brown et al. v. First National Bank of Temple, 35 Okl. 726.

We therefore conclude that the transaction was not a bona fide one, and that Burton did not have the right to use the firm check in payment of his debt, and that the intervener has the right to recover the amount of the check for the use and benefit of the firm; and the judgment of the trial court should therefore be reversed and remanded.

(151 Pac. Rep. 847.)

Altered Note

Massachusetts

Discharge of Debt—Effect on Original Consideration—Effect on Collateral

Supreme Judicial Court of Massachusetts, Suffolk, Oct. 10, 1915.

SHERMAN VS. CONNECTICUT MUTUAL LIFE INS. CO.

Where plaintiff delivered two notes, each for $500, blank as to payee, and a policy of insurance upon his life, blank as to the assignee, to secure a loan of $1,000, and the lender by forgery raised one note to $1,500 and delivered it, with the other note and the policy and the assignment, to one from whom he obtained $2,000, which he afterwards repaid, receiving the notes and the policy, and thereafter delivered to the same person a note for $3,000, bearing a forged signature of plaintiff, and the policy, with a forged assignment thereof, the forgeries were nullities as to the plaintiff, and the lender's fraudulent alteration of one of the notes destroyed the value of that note in his own hands, and extinguished plaintiff's obligation to pay the consideration for such note. (110 N. E. Rep.)

APPEAL from Superior Court, Suffolk County.

Bill by John F. Sherman against the Connecticut Mutual Life Insurance Co. and others. Decree for complainant, after dismissal as against the defendant

Insurance Company, and defendant Harry R. Stanley, executor, appeals. Affirmed.

STATEMENT OF FACT AND OPINION

RUGG, C. J. The pertinent facts are that in February, 1907, the plaintiff delivered to one George E. Williams, two notes each for $500, blank as to payee, a policy of insurance upon his life and an assignment thereof blank as to assignee, for the purpose of securing a loan of $1,000 which Williams made to him. Williams by forgery raised one note to $1,500 and delivered it, together with the other note, the policy of insurance and the assignment, to the defendant Stanley, from whom he obtained $2,000. Later, in April, 1910, Williams paid Stanley $2,000, thereby terminating the latter's right to hold the notes, policy and assignment, all of which were returned to Williams. In September, 1910, Williams delivered to Stanley a note for $3,000 bearing a forged signature of the plaintiff, the policy of insurance and a forged assignment thereof, all without authority from the plaintiff, who, since February, 1907, had done nothing in the premises except to pay interest to Williams on $1,000 as it became due. After the death of Williams the genuine $500 note and the raised $1,500 note were found among his papers.

In the superior court a decree was entered requiring the defendant Stanley to deliver to the plaintiff the policy of insurance and the forged assignment and forged $3,000 note, and the administrators of the estate of Williams, upon payment by the plaintiff of $500 and interest thereon, to deliver to him the genuine note for $500 and the note fraudulently raised to $1,500. The defendant Stanley alone appealed from that decree.

The rights of the defendant Stanley to the policy of insurance so far as they grew out of the first transaction between him and Williams were extinguished in April, 1910, by the payment to him of $2,000. He then had no claim upon it. When subsequently, in the following September, he received it again, together with a forged note and a forged assignment, he acquired no rights against the plaintiff. The forgeries were nullities as to the plaintiff. The fraudulent alteration by Williams of one of the genuine notes by trebling its face destroyed the value of that note in his own hands. Greenfield Savings Bank v. Stowell, 123 Mass. 196, 25 Am. Rep. 67.

As it is now in the hands of his estate, the defendant Stanley can gain no advantage from it. The single circumstance that once Stanley held that note for value by transfer from Williams gives no right after the payment and surrender of the note to Williams. The mere possession of the policy of insurance by Stanley without right, so far as concerns the plaintiff confers upon Stanley no right as against the plaintiff. Tower v. Stanley, 220 Mass. 429, 437, 107 N. E. 1010.

The fraudulent alteration of the note by Williams not only destroyed its validity, but extinguished the maker's obligation to pay the consideration given for that note. This rests upon the firm foundation that the perpetrator of a forgery cannot acquire by his own fraudulent act a right of action which otherwise he would not possess and thus run no risk of losing anything by his wrong even if detected. Wheelock v. Freeman, 13 Pick. 165, 23 Am. Dec. 674; Adams v. Frye, 3 Metc. 103; Stoddard v. Penniman, 108 Mass. 366. To state the rule with technical accuracy, it may be said that the only obligation resting on the maker was the note itself. The contract, expressed by the note has not been used, but destroyed by the alteration. The note as altered he never made. Draper v. Wood, 112 Mass. 315; Citizens' Nat. Bank v. Richmond, 121 Mass. 110; Greenfield Savs. Bank v. Stowell, 123 Mass. 196; Munroe v. Stanley, 220 Mass. 438, 443. There is no liability on the part of the plaintiff to anybody connected with the note fraudulently raised. Hence no one can gain any right in the policy arising out

of that transaction. The lien on the policy to that extent has been discharged. No question arises in this connection as to a bona fide holder in due course of a fraudulently raised note under R. L. c. 73, section 141 (see Stone v Sargent, 220 Mass. 445, 449, 107 N. E. 1014; Herman v. Conn. Mut. Life Ins. Co., 218 Mass. 181; Andrews v. Sibley, 220 Mass. 10, 15), for the Williams estate and not the Stanley estate is the holder of that note.

The policy of insurance was assigned as security for the two notes of $500 each. That is the only assignment made by the plaintiff. Since only one of these notes now is in existence, it remains as security for that one alone. That note is held now by the Williams estate and not by the Stanley estate. The transaction between the plaintiff and Williams was the borrowing of money by the plaintiff and the giving of the note to Williams with an assignment of the policy of insurance as collateral security for the payment of the note.

The last transaction between Williams and Stanley was the borrowing of $3,000 by Williams from Stanley on the strength of the delivery by Williams to Stanley of a forged note purporting to be made by the plaintiff, and of a forged assignment of the policy of insurance purporting to have been executed by the plaintiff, accompanied by the policy. What Williams did was to commit a fraud on Stanley by borrowing $3,000 on a forged note and a forged assignment of the policy. This was quite different from borrowing $3,000 by attempted repledge of the insurance policy as property which he had a right to use as collateral for his own debt. This was not and did not purport to be a repledge of the policy of insurance. It was not delivered to Stanley as a repledge but as a direct pledge from the plaintiff. It was not that because of forgery. It cannot now, after the event, be converted into something different from that which then was intended. Therefore, it is not necessary to inquire what may have been the right of Williams as pledgee to make a repledge of the insurance policy. See R. L. c. 208, section 71; Jarvis v. Rogers, 15 Mass. 389, 408; Talty v. Freeman's Savings Bank, 93 U. S. 321; Donald v. Suckling, L. R. 1 Q. B. 585; Halliday v. Holgate, L R. 3 Ex. 299. He did not undertake to make a repledge of it.

The court cannot make a new contract between Williams and Stanley. It only can interpret, enforce so far as valid, and condemn so far as unlawful, the contract actually made by them. The note and assignment both were forgeries and therefore nullities so far as concerns the plaintiff. The mere delivery of the policy under these circumstances was not a repledge. It was an integral part of a criminally void transaction and can stand on no better ground than the rest of it.

As the Williams estate holds the only outstanding principal debt of the plaintiff, that debt can be extinguished only by payment to that estate. There was no transaction between Williams and Stanley which either in form or substance is the equivalent of a transfer of the subsisting $500 note to Stanley, or which confers upon Stanley any kind of title or claim to that note. He has only the thing which was given as collateral security for it. But he holds it by force of a transaction wholly void. Stanley cannot secure a preference out of the estate of Williams by appropriating the debt due to it from the plaintiff when he has no shadow of claim to that debt. It follows that upon the facts here disclosed Stanley has no lien upon the policy of insurance.

Decree affirmed with costs.

(110 N. E. Rep. 159.)

Power of Cashier

North Carolina

Discharge of Obligation—Power of Cashier—Ultra Vires Act

Supreme Court of North Carolina, Nov. 3, 1915.

FIRST NATIONAL BANK OF LUMBERTON VS. LENNON.

Where defendant in an action on a note alleges discharge from the obligation of the

note by the cashier of the plaintiff bank, he must show consideration for the discharge, for in the absence of consideration no discharge is valid.

Defendant in an action on a note cannot escape liability on the ground that the cashier of the plaintiff bank released him from liability on the note, since such action by the cashier was beyond his powers and therefore void.

ACTION by the First National Bank of Lumberton against G. W. Lennon and others. From the judgment for plaintiff, defendant Lennon appeals. Affirmed.

STATEMENT OF FACT AND OPINION

CLARK, C. J. This is an action against the defendants Lennon and Edens as makers on a note for $500 and against the defendants Hinson Bros. as indorsers. The defendants Lennon and Edens formed a partnership and purchased a livery business from Hinson Bros., for $1,500. To pay the purchase money Lennon borrowed $500 from the plaintiff on his individual note, secured by a mortgage on real estate, and paid this $500 to Hinson Bros. on the purchase money. For the other $1,000 Lennon and Edens executed to Hinson Bros. two notes, for $500 each, secured by chattel mortgages upon the livery teams and equipment purchased. When the first of these two notes became due, Lennon and Edens being unable to pay it, the plaintiff at their request paid Hinson Bros. the amount due upon that note, and they indorsed the note over the plaintiff. This is the note sued on. Afterwards Lennon and Edens dissolved partnership, leaving this $500 note in the hands of plaintiff unpaid, as well as the $500 note which had been executed to plaintiff by the defendant Lennon, and which was secured by mortgage on real estate.

Upon the trial the defendant Lennon contended that plaintiff's cashier had released him from liability upon the notes sued on. He testified that in July, 1910, when he and Edens dissolved partnership, said cashier agreed that if Edens would pay $300 on the $500 note which plaintiff held against defendant Lennon, which was secured by the real estate mortgage, the plaintiff would not only release Lennon from liability on the said note, but would also release him from liability on the $500 note which the plaintiff had purchased from Hinson Bros., signed by Lennon and Edens, and the cashier further agreed that he would look to Edens alone for payment of both notes.

This alleged agreement, was denied by the cashier, who testified that the defendant Lennon was released from liability only on the $500 note secured by the real estate mortgage, on which note Edens paid $300, and that Lennon and Edens had a sufficient deposit with plaintiff to pay the balance on that note, but that there was no agreement to release defendant Lennon from liability on the $500 note, which plaintiff had purchased from Hinson Bros., which is the note sued upon. It was conceded that at the time of the alleged agreement the $500 note secured by the real estate mortgage (on which the $300 was paid) was past due and was secured by a mortgage on real estate worth several times the amount of that note, and that Edens was then insolvent, to the knowledge of both defendant Lennon and plaintiff's cashier, and is still insolvent

At the conclusion of the testimony the plaintiff moved that the court direct the jury to find the issue for the plaintiff, if they believed the defendant Lennon's testimony, for that there was no consideration for his release from liability, and, further, that the plaintiff's cashier had no power or authority to release defendant Lennon from liability on the note now in suit, he being then solvent and there being no dispute about his liability at that time, or as to the amount due on the note. The court charged the jury to find the issues against the defendant Lennon, if they believed the evidence, and found the facts to be as testified. In this there was no error. There was no evidence that Lennon had been

legally discharged from liability upon said note by an agreement with the plaintiff's cashier for there was no consideration for said agreement. The other $500 note, on which the $300 was to be paid, was already past due, and was secured by a mortgage on real estate worth several thousand dollars. There was no consideration, therefore, to release Lennon from liability on this $500 note, on which Edens, who was insolvent, was the other party.

Besides, the plaintiff's cashier had no power or authority to make such agreement as herein alleged by virtue of his office, and no express authority is shown. In Bank v. Wilson, 124 N. C. 568, 32 S. E. 891, it is said:

"The alleged agreement was beyond the scope of the agency of a cashier, and without consideration, and therefore void. * * * Such transactions are not within the ordinary dealings of a bank, and cannot be encouraged."

In the note to Bank v. Moore, 28 L. R. A. (N. S.) 501, the authorities are thus summed up:

"It is a general rule, recognized by the great majority of the cases, that the president or cashier or any other similar executive officer of a bank has no authority, simply by virtue of his office, to bind his bank by an agreement, made with the maker or indorsers of commercial paper payable to the bank, that their liability on such paper will not be enforced."

No error.

(86 S. E. Rep. 715.)

Protest

Missouri

Presentment for Payment—Notice of Protest—Mailing of Notice

Kansas City Court of Appeals, Missouri, Nov. 1, 1915.

FIRST NATIONAL BANK OF GRANT CITY VS. KORN.

Where plaintiff bank, located in Missouri, received a check on a bank in Iowa, and presented it through the ordinary channels of business, and protested it when payment was refused, there was no failure of due diligence.

Where a notice of a check's dishonor was put in a post office to go by the proper post, it was immaterial to the rights of the holder whether it ever reached the drawer or not, as all the law requires is the sending of due notice in proper time, which is met by putting it into the proper post office properly directed.

ACTION by the First National Bank of Grant City against C. A. Korn. Judgment for plaintiff, and defendant appeals. Affirmed.

STATEMENT OF FACT AND OPINION

TRIMBLE, J. Appellant, having a check drawn by Seasholtz & Scheller on the Kellerton State Bank of Kellerton, Iowa, indorsed and delivered it to the respondent bank, and received from it the proceeds thereof. On presentation to the Iowa bank payment was refused, and the check was protested and returned to respondent. Appellant declining to refund the money he had obtained, respondent brought this suit on appellant's indorsement to recover the amount of said check, with interest and protest fees. The case originated in a justice court, and, after trial there, was appealed to the circuit court, where it was tried anew, resulting in a judgment for the bank, and the other party has appealed.

Respondent has a motion to dismiss the appeal because of the alleged failure of appellant to properly arrange and present the record herein. The chief ground for this motion is that appellant has not distinguished between matters to be shown by the record and matters which can only appear in the bill of exceptions. We are of the opinion, however, that while the appellant's abstract is not in the usual stereotyped form, but is somewhat inartistic, and not as clear as it might be, yet nevertheless it is not so open to the objections made against it as to justify us in refusing to consider the case on its merits. The motion is therefore overruled.

Appellant says the petition or statement on which the case is based does not

state a cause of action. No attack was made on the pleading in any way either before judgment or in the motion for new trial. Unless the petition is so defective as to wholly fail to state any cause of action at all, and, on that account, is wholly insufficient to support a judgment, said objection, made for the first time in the appellate court, cannot be regarded. The petition is not so defective as this. The alleged defects it is said to contain are not such as cause the petition to state no cause of action whatever, but, if they exist at all, merely show that a good cause of action exists, but that it has been stated imperfectly in some respects.

The chief grounds of appellant's complaint relate to the admissibility and sufficiency of the notary's certificate of protest.

With regard to the first objection thereto, it seems that the certificate of protest attached to the note and originally filed with the justice at the time of the institution of the suit, to wit, May 29, 1913, was not verified by his affidavit, as required by section 6329, R. S. Mo. 1909. The case went to trial in the justice court on July 5, 1913, and on that day, before trial, respondent filed another certificate of protest, which was duly verified. Inasmuch as section 6329 makes the certificate prima facie evidence provided it is filed in the cause 15 days before the trial thereof, appellant takes the position that it was not admissible in evidence on the trial of the case in the circuit court. This trial did not occur till February 19, 1914. The certificate, therefore, was filed more than 7 months before the trial in question here.

The trial in the circuit court on appeal from a justice is de novo. The issues are investigated and determined as if that were the first time they were ever presented, and as if the trial in the justice court had never been. The object of the statute in requiring the certificate to be on file 15 days is to give the opposite party that much time in which to obtain evidence to overthrow the prima facie case presented by the certificate. The trial in the justice court was wholly supplanted by the trial in the circuit court, so that only the last trial is the one in which the opportunity of the parties to present evidence is finally closed. Consequently, appellant had at that trial vastly more time than the statute allowed him in which to refute the prima facie case made by the certificate. We think the object of the statute was fully met, and that the certificate was not inadmissible on that account.

Turning now to the objections made to the sufficiency of the certificate, it is urged that the certificate should be annexed to the check. There is nothing in the record to show that it was not. Both certificates refer to the "annexed check." Besides, section 10123, R. S. Mo. 1909, says it must be annexed to the bill, "or contain a copy thereof," and the verified certificate contained such copy.

Other objections are made to the sufficiency of the certificate. We have examined them all, and find they are without merit.

Section 10125, R. S. Mo. 1909, does provide that "protest must be made on the day of its dishonor, unless delay is excused." But the protest shows that the check was dishonored on March 17, 1913, and protested on same day. There is no showing to the contrary. The drawer of the check notified the Iowa bank on which it was drawn not to pay the check, for the reason that a horse for which the check was given had been misrepresented to the drawer by the payee. Under these circumstances there was no necessity for notifying the maker of the check; since he had ordered the drawee bank not to pay it, and said bank was merely the drawer's agent in paying or withholding payment on the check.

Appellant tried to show that at the time he indorsed the check to respondent there was an agreement that he should not become liable as an indorser, and it is urged that the court should have submitted to the jury the question of such an agreement or understanding. The evidence of appellant, however, does not disclose any such oral agreement, even if it could be allowed to prevail against

his indorsement, which was in blank, and therefore contained nothing limiting his liability. Section 63 of the Negotiable Instruments Act (now section 10033, R. S. Mo. 1909), says:

"A person placing his signature upon an instrument otherwise than as maker, drawer or acceptor is deemed to be an indorser, unless he clearly indicates by appropriate words his intention to be bound in some other capacity."

It is held that this is a statutory command that the legal effect of a blank indorsement cannot be changed or varied by evidence from another source. Porter v. Moles, 151 Iowa, 279; Neosho Milling Co. v. Farmers', etc., Co., 130 La. 949, 58 South. 825; Deahy v. Choquet, 28 R. I. 338; Baumeister v. Kuntz, 53 Fla. 340; Rockfield v. First Nat. Bank, 77 Ohio St. 311; First National Bank vs. Bickel, 143 Ky. 754. This last named case, at page 757 of 143 Ky., at page 791 or 137 S. W., says:

"The purpose of the statute is to exclude parol evidence, and to make the written instrument control the rights of the parties. The statute fixing the legal effect of the instrument, parol evidence may not be received to give it a different effect."

The case of Mudd v. Bank, 175 Mo. App. 398, 162 S. W. 314, does not conflict with this. In that case the effect of section 10033 was not noticed or discussed, but the real question therein was not in regard to the terms of the indorsement, nor as to how those terms should be proved, but of authority to make any indorsement at all.

It is also urged that the court should have submitted to the jury the question whether or not the check was presented to the Iowa bank within a reasonable time, and whether notice of dishonor was given to appellant. No such objection was made, or issue raised, at the trial. So far as the record shows, there was no evidence of delay. Respondent was located in Missouri; the bank on which the check was drawn was somewhere in Iowa. The check went through the ordinary channels of business to the Iowa bank, and was duly presented and protested when payment was refused.

Whether or not a given state of facts constitute due diligence is a question of law to be determined by the court. Sanderson's Adm'r v. Reinstadler, 31 Mo. 483; Linville v. Welch, 29 Mo. 203; Vogel v. Starr, 132 Mo. App. 430.

There are other objections made to the steps taken during the course of the trial. We have examined them carefully, and find that they are not sufficient to justify us in disturbing the judgment. The admissions and facts stated in appellant's own evidence show that respondent was entitled to recover provided the check was duly presented and protested. The certificate of protest, which we have held was sufficient and admissible, established the case on that point, and there was no contradiction thereof by the defendant.

The fact that the latter claims he never received from the notary notice of the check's dishonor does not affect the question of his liability.

"If a notice is put in the post office to go by the proper post, it is not important to the rights of the holder whether the notice ever reaches the party entitled to it or not. All that the law requires of him is to send due notice in proper time, and he has discharged his whole duty when he puts it into the proper post office, in due time, directed in a proper manner." Renshaw v. Triplett, 23 Mo. 213, loc. cit. 220.

The judgment is manifestly for the right party, and it is accordingly affirmed. All concur.

(179 S. W. Rep. 721.)

Deposit of Public Moneys

Ohio

Depositaries—Award on Best Offer—Use of Machine Deposits—Paper Sureties

Supreme Court of Ohio, Dec. 15, 1914.*

*Not published until Nov. 19. 1915.

BOARD OF COMMISSIONERS OF HENRY COUNTY VS. STATE EX. REL. COMMERCIAL STATE BANK OF NAPOLEON.

The provision in section 2717, General Code, that the county commissioners shall

award the use of the county money to the bank that offers the highest rate of interest therefor, provided proper sureties, securities, or both, are tendered in the proposal, is mandatory, and those officials cannot refuse to award the use of the inactive deposits of the county to a bank offering the highest rate of interest therefor, for the sole reason that in its proposal for the inactive deposits it names as sureties the same individuals named in its proposal for the use of the active deposits of the county. (110 N. E. Rep.)

ERROR to Court of Appeals, Henry County.

Mandamus by the State, on the relation of the Commercial State Bank of Napoleon, against the Board of Commissioners of Henry County. The Court of Appeals ordered that writ of mandamus issue, and the defendant board brings error. Affirmed.

STATEMENT OF FACT AND OPINION

NEWMAN, J. This was a proceeding in mandamus in the Court of Appeals of Henry county to compel the county commissioners to designate the defendant in error, the Commercial State Bank of Napoleon, the relator, as an inactive depositary of the public money of Henry county to the amount of $100,000 in excess of $50,000 awarded to the Corn City State Bank of Deshler, Ohio.

Pursuant to notice duly published by the county commissioners, inviting sealed proposals from banks and trust companies to act as inactive and active depositaries of Henry county, seven proposals were filed. For inactive deposits the Corn City State Bank bid 3⅝ per cent. on $50,000; the Commercial State Bank bid 3⅛ per cent. on $100,000; the Napoleon State Bank bid three per cent. on $150,000, 2.5 per cent. on $125,000, 2.2 per cent. on $100,000, 2.1 per cent. on $75,000, and two per cent. on $50,000; and the First National Bank bid 2.9 per cent. on $40,000.

For active deposits the Commercial State Bank bid 2 per cent., the Napoleon State Bank bid 1.3 per cent., and the First National Bank bid 1.3 per cent. The several banks tendered in their proposals either personal sureties or municipal bonds or surety companies. The relator, the Commercial State Bank, in its proposals for the inactive and active deposits, tendered in each 12 personal sureties; the sureties tendered in its proposal for the inactive deposits being identical with those tendered in its proposal for the active deposits. The county commissioners awarded the money of the county as follows: To the Corn City State Bank $50,000 of inactive deposits at its bid of 3⅝ per cent.; to the First National Bank $40,000 of inactive deposits at its bid of 2.9 per cent.; to the Napoleon State Bank $5,000 of inactive deposits at its bid of 2.1 per cent.; and to the relator, the Commercial State Bank, all of the active deposits of the county at its bid of 2 per cent.

The Court of Appeals in its conclusions of fact found that the sureties tendered in the two proposals of the relator, the Commercial State Bank, were eligible, competent and proper sureties in at least the sum of $250,000. It found that the relator was able, ready and willing to enter into a bond conditioned, as required by law, for the faithful performance of its duties as depositary of either or both active or inactive deposits, and that it was able, ready and willing to furnish such additional surities on such undertaking as the county commissioners might request for the prepayment of both active and inactive deposits, in such manner and form as the commissioners might direct.

The commissioners took no action on the proposal of the relator other than to award to it the active funds, and did not request any additional surities as to either of its said proposals. For the period covered by the bids the inactive funds of the county will probably aver-

age an aggregate amount of not less than $165,000. The Court of Appeals found further that with the exception of the Corn City State Bank the relator, the Commercial State Bank, was the highest and best bidder for the inactive funds, and that it was to the best interests of Henry county that the inactive funds not awarded to the Corn City State Bank be awarded to the relator. The court ordered that a writ of mandamus issue to the county commissioners compelling them to designate the relator as an inactive depositary of the public money of Henry county to the amount of $100,000 in excess of the $50,000 awarded to the Corn City State Bank. Plaintiff in error is here asking a reversal of the judgment of that court.

The statutory provisions relating to county depositaries are found in sections 2716 to 2745, General Code. Under the provisions of section 2716, the commissioners are required to publish notice inviting proposals from banks and trust companies to act as depositaries, and there is this further provision:

"Each proposal shall contain the names of the sureties or securities, or both, that will be offered to the county in case the proposal is accepted."

Section 2717 fixes the time for the opening of the proposal, and provides that:

"The commissioners in open session shall open the sealed proposals and award the use of such money to the bank or banks or trust companies that offer the highest rate of interest therefor on the average daily balance, provided proper surities, securities or both, are tendered in the proposal."

Section 2726 relates to the undertaking to be entered into by the successful bidder. It contains, among others, this provision:

"The same surety shall not be accepted on more than one undertaking as to any one depositary at the same time."

Counsel for the commissioners maintain that the relator, in its proposal for the inactive deposits, having tendered sureties identical with those tendered by it in its proposal for the active deposits, and section 2726 providing that the same surety shall not be accepted on more than one undertaking as to any one depositary at the same time, the relator did not tender "proper sureties" within the meaning of those words as used in section 2717, and that therefore the provisions of these two sections were not complied with.

The proposal of the relator to become the depositary for $100,000 of the inactive deposits of the county complied with the provisions of section 2716. It stipulated the rate of interest it would pay, to be computed on the average daily balances, and agreed to enter into and execute a bond in such sum as might be required by the commissioners, conditioned according to law, and named twelve persons eligible and responsible who would sign the bond. If no proposal had been made by the relator for the active deposits, the commissioners could not possibly have made any objection to the proposal for the inactive deposits, or, if the proposal for the active deposits had not been accepted, they undoubtedly would have awarded the inactive deposits to the amount of $100,000 to the relator. The only reason suggested by the commissioners for their refusal to award to the relator the inactive deposits was that the same individuals were tendered as sureties in the proposal of the relator for the active deposits. This fact could not destroy the legality of the proposal for the inactive deposits.

It was found by the Court of Appeals that, with the exception of the Corn City State Bank, the relator was the highest and best bidder for the inactive deposits, and that it was to the best interest of Henry county that the inactive deposits not awarded to the Corn State City Bank be awarded to the relator. This the commissioners should have done, and they were authorized to demand other and further sureties or securities when the undertakings required by section

2726 were entered into. Section 2728 gives the successful bidder 30 days within which to execute the undertaking, and it is upon the acceptance by the commissioners of such undertakings that the bank becomes the depositary of the money of the county.

The Court of Appeals found that the relator was able, ready, and willing to enter into a bond as required by law for the faithful performance of its duties as depositary of either or both active and inactive deposits, and was able ready and willing to furnish such sureties on the undertaking as the commissioners might require. As we view it, the objection of the commissioners to the proposal of the relator was technical and without merit. The proposal conformed to the requirements of section 2716. The provision in section 2717 that the commissioners shall award the use of the money to the bank that offers the highest rate of interest is mandatory, and the relator should have been awarded the use of $100,000 of the inactive deposits of the county. When the commissioners did not make this award, it was a failure to perform an official duty enjoined by law and in the interest of the county and the taxpayers. Upon the facts found by the Court of Appeals, the judgment of that court is correct, and the same is affirmed.

Judgment affirmed.

(110 N. E. Rep. 254.)

Preparedness for Peace

ADDRESSING the American Paper and Pulp Association at its annual banquet in New York on February 17, Dr. Edward Ewing Pratt, chief of the Bureau of Foreign and Domestic Commerce, said in part:

"It is sometimes urged that the hatred engendered by the war will soon pass away, that each country will seek the cheapest market, irrespective of nationality. In an organized market this would be true. But Europe is not organized. Legislation, taxation, and organized public sentiment will be the means of continuing for decades and even generations the commercial struggle which will grow out of the armed conflict. The United States, the innocent bystander, cannot altogether expect favorable treatment at the hands of either group.

"We must realize that not only our foreign markets that we had before the war, but our home market will be the object of commercial attack. That nations depleted in every resource will be able to compete with an alert and prepared United States, I believe impossible. The essential question is—are we alert to the possibilities of the situation and are we commercially prepared?

"The outcome of our efforts to meet competition in foreign trade after the war will rest on certain elemental factors: Trained men, the ability to finance foreign trade, the adoption of a conventional tariff system and the building of a merchant marine. The United States has made some plans for peace and there are other preparations planned and under way."

WHAT we need in this country is a unified banking system which can only be had by the cooperation of state and national banks under the Federal Reserve Act. In union there is strength.

—JAS. B. FORGAN.

Banking Publicity

Conducted by **T. D. MacGREGOR**

St. Louis Bank Conducts Advertising Campaign to Boost Life Insurance

"MR. QUICK, if I take this policy for $15,000 the first premium of $995.40 won't bother me at all, I can give you a check for it to-day. But I hesitate at taking so large a policy just now because I don't know how I'll be fixed when the premium comes due next year and the years after.

"Could you put an even hundred in the bank, Mr. Sloan, out of your salary every month, without missing it unduly?"

"Sure thing."

"Then let me tell you what to do. Go down to Fourth and Locust to the St. Louis Union Bank, and open a Premium Savings Account in their savings department. Put one hundred dollars in this account every month. Ten months from now you will be ready to pay the second annual premium on your policy two months before it's due. And furthermore, by the time you have made ten trips to the bank on the first of every month you will have gotten the habit. You will keep it up. At the end of the year you will have $1,200 in the bank to pay a $995 premium, which has earned for you while accumulating about $19.50 interest. If you know of a better way to carry insurance painlessly than that, show me!—Sign here."

This is a typical conversation between

Young Man—Your First Investment

You young men, just out of high school or college, starting a business or professional career, don't have to be advised about the necessity of saving your money. You know that already.

But we want to suggest that you save for some definite purpose, always. And we further suggest that your first object in saving be the initial premium on a life insurance policy.

A reasonable proportion of your income set aside regularly will soon amount to the sum necessary for the first premium, and it will suggest the most systematic way of meeting future premiums on time.

THE LIFE INSURANCE MAN IS WORKING FOR YOU
—LET HIM TELL YOU WHAT HE KNOWS

St. Louis Union Bank, Fourth and Locust

Don't Value Yourself Too Low

In investing in Life Insurance many men make the mistake of insuring their lives for a small amount because they fear the payment of the premium on a large sum will embarass them financially.

Your life has a definite value measured in dollars and cents, measured by your income, your prospects, the responsibilities of your familiy. Let the Life Insurance man help you determine your value.

Don't be afraid to insure your life for what it is worth. By making regular deposits of a small proportion of your income in a Savings Account you will not only soon accumulate the first full year's premium, but you will be able to easily meet subsequent premiums as they fall due.

St. Louis Union Bank, Fourth and Locust

Save—For Life Insurance Investment

Only the Life Insurance Men know how many earners put off investing in Life Insurance because of the difficulty of paying the first full year's premium.

The solution is easy Use your Savings Account. Regular deposits of a small proportion of your income soon equal the necessary amount. A plan of this sort also insures the prompt settlement of the second and subsequent premiums.

You can open a Savings Account at this bank with any sum from $1 up, which will be the initial step toward your investment in a Life Insurance Policy.

THE LIFE INSURANCE MAN IS WORKING FOR YOU
—LET HIM TELL YOU WHAT HE KNOWS

St. Louis Union Bank, Fourth and Locust

The First Premium is the Hardest to Pay

When the Life Insurance Man wants to talk to you—give him a chance. He knows some things about you and the commercial value of your life that you don't know yourself.

He can tell you how much you are worth to your family—not in sentiment of course—but in cold dollars and cents. He is not mercenary, he is just analytic.

Your insurance premium need not worry you if you have a Savings Account where it is accumulated by regular deposits of a small proportion of your income.

THE LIFE INSURANCE MAN IS WORKING FOR YOU
—LET HIM TELL YOU WHAT HE KNOWS

St. Louis Union Bank, Fourth and Locust

HOW THE ST. LOUIS UNION BANK IS BOOSTING LIFE INSURANCE IN A COMPREHENSIVE ADVERTISING CAMPAIGN.

a life insurance man and a prospect in St. Louis since the St. Louis Union Bank began to publish a series of advertisements advocating and endorsing life insurance, and suggested this plan by which an adequate amount may be carried, without embarrassment, by the average salary earner.

A few of the advertisements are reproduced herewith. A careful perusal of them gives ample assurance of the fact that life insurance men in St. Louis as well as all over the country are "pulling" for the St. Louis Union, and congratulating them on being the first financial institution in the country to successfully inaugurate a policy of this kind. Such a policy is all the more noticeable inasmuch as the St. Louis Union Bank is paying, voluntarily, the entire cost of the campaign, making no demands of any sort, expressed or implied, upon the life underwriters of the city, who will profit most directly.

The idea of conducting a campaign of this sort originated in the mind of Mr. B. W. Moser, secretary of the St. Louis Trust Company, and assistant cashier of the St. Louis Union Bank. It was amplified, details of copy, layout and publicity methods worked out, by the publicity department of the two institutions, of which Mr. Griffin McCarthy is manager. The strength of this endorsement of life insurance by a financial institution is enhanced in St. Louis by the fact that the St. Louis Union institutions are among the largest and most successful in the city.

The officers of the St. Louis Union Bank state that they will be glad to cooperate with any representative bank in any city interested in a plan of this sort. Mr. Moser or Mr. McCarthy will be glad to answer any inquiries from banks that wish to inaugurate a campaign along this line.

An Advertising Platform

ONCE in a while a bank does well to take the public into its confidence as to its advertising. This is the way the Capital National Bank of St. Paul, Minn., did it:

OUR PUBLICITY

The publicity of the Capital National Bank is not an insistent appeal for new business.

It is planned, rather, to make the public familiar with the broad and liberal policies under which it operates.

It seeks to express this bank's desire to co-operate with those at the bottom of the ladder as well as those who have climbed to the top.

Its management believes that there are many in the community who have, perhaps, a too modest view of their value to the bank.

It knows, from experience, that the pursuit of banking relations often discovers to the depositor new avenues of opportunity.

And so the publicity of this bank is directed mainly to the ambitious. It seeks to make clear the advantages which the depositor enjoys when he looks upon the Capital National as his bank.

You are invited to follow the announcements which will appear from time to time in this space.

Copy Suggestions

By C. L. Chamberlin, Osseo, Mich.

THE mind of your reader must be aroused and stirred to activity before you can expect to impress him with YOUR business. To bring about this awakening of mind several methods are useful. One is to open the advertisement by a startling statement—striking, peculiar or paradoxical in nature.

To secure this attention, this rousing of mind, nothing is better than questions which throw the burden of reply upon the reader. Consider the following:

"WHICH? Would you rather trust that little nest egg to a sure, safe, government-inspected institution, where it brings in three per cent. annually without fail, or would you prefer to send it to strangers whose business is not known to you except on the testimony of other strangers equally unknown, and who make the

bare promise, 'Doubtless it will bring you fifteen per cent. by the end of the year?'

"You all know the fable of the hare and the tortoise, of course, but did you ever think what a good tortoise your home bank makes in the race for wealth? The stock and bond schemes, shares in co-operative factories and ranches, financing poor and unfortunate inventors of wonderful patents compose a drove of hares all very sure to take a good, long nap at an early stage in the race. But remember how that race ended—and how this one is likely to end—when solicited to draw your savings from the home bank and place them in a stranger's distant get-rich-quick investment scheme.

⊙

Are you thoroughly acquainted with yourself? Have you the powers and capabilities, business insight and knowledge of conditions, past, present and future, have you the time apart from your regular occupation, that you feel justified in handling your savings, investing them in schemes that appear well? Can you afford the risk, the uncertainty, the additional care and trouble for a possible one or two per cent. extra? Isn't it better to get a little less and be sure of the principal in the hands of experienced, responsible financiers? This bank welcomes deposits of savings or funds of any kind and guarantees their management in absolutely safe investments, passed upon by a board of trained business men and looked after in detail by a corps of trained banking officials. Suppose we talk over your case. Call any day."

⊙

Educational or informative copy is quite common now among advertising banks. Such items as the following have been used with success in a series of the nature suggested:

(1) How a bank receives deposits—what is done with the money—how interest is paid—how you make deposits—certificates—a checking account—advantages.

(2) About checks—the legal facts—how checks may pass around—reaching the home bank—overdrawing—certified checks—convenience of checks—receipts.

(3) Savings—saving from weekly wages—how much to save—what to do with small savings—no shame attached to banking small sums—using a metal bank in the home to which the savings bank has only the key—banking its contents.

(4) About loans—who can get loans—security, why necessary—how to apply for loans—making a confidant of your banker—desirable borrowers.

(5) Character of the bank's officers—their own private business successful—human interest facts showing their reliability—how deposits are safeguarded in their hands.

⊙

Advertising that is most effective is an "I" and "you" discussion with all the emphasis on the "YOU." From this it naturally follows that the personal letter to the suitable bank prospect is one of the most resultful methods available to persuade non-depositors to make deposits. To-day there are many farmers rapidly falling into line in the use of the modern, time-saving conveniences who still carry their current expense money in currency, and make all payments for help, food and other farm supplies by that means. They use the bank occasionally for deposits and loans but are not regular patrons who maintain both long time and checking accounts as do city business men of equal or even much less wealth. These farmers make good patrons for any small town bank and the banker can get a goodly number of them if he makes the proper appeal through a personal letter. Consider such an appeal as this:

Dear Sir:

This is really a private letter to you. But I wanted to write a number of representative farmers in different

communities on this same subject. Consider the time it would require to write all of these letters. So I wrote one letter and instructed my secretary to make a number of copies on a time-saving machine which required but a few minutes.

You and I cannot afford to waste time—even minutes—on things that are avoidable. For minutes run into hours and hours mean dollars.

Have you ever considered the minutes you lose carrying your current expense money in currency?

You transfer it from one garment to another; place it in a supposedly safe place over night or while you are working, or else you stop work often to assure yourself of its safety in your pocket.

When you pay out any sum you must run through bill book and coin purse to find the right change. Then how often you must ask a neighbor to help you make change or go from store to store in town to get a big bill "broken."

And if you lose your pocket-book, what chance have you of recovering even the checks, notes or other papers worthless to any finder?

Isn't all this about true? I think you must admit it. But enough of such talk—you can avoid all this trouble if you wish. How?

Place your currency in our bank and get a pass-book to show your account and a check book from which to make change as you pay out. Our check books carry an indelible pencil. You can always write a check for the exact amount you wish to pay. Banks and all the local business men will accept your checks from the people to whom you give them, cash them and make change just as with currency. Hence your help or others to whom you give checks can have no objection to accepting them—they are as easily cashed and changed as a bill.

You feel no worry over a lost check book. No one can use it to your loss and we will give you a new book any time. The stubs show where your money is paid and the checks after we pay, cancel and return them to you, serve as perfect receipts since the endorsing signature of each payee is a full acknowledgment of receiving the money.

A farmer's time means money as much as a banker's. Efficiency experts proved to us that saving time is saving money and saving money is equal to earning it. Don't you think that idea would apply equally well with you? Anyway, drop in when you come to town and let me show you how other farmers are handling their money matters.

Cordially yours, etc.

Personal appeal, showing up the advantage to "You," proving statements as well as making appeals to the feelings, calling on pride, self-interest, the desire of appearing well-to-do and businesslike. These are the ideas from which the banker will build his advertising if he desires to see and feel immediate gains as the result of his efforts.

Advertising A. B. A. Cheques

BANKS which issue A. B. A. cheques have an ample supply of advertising material to draw upon for locally promoting and encouraging the use of these cheques by the traveling public. This material is furnished free to banks issuing the cheques by the Bankers Trust Co. of New York, who are the agents for the association.

The material available is attractively set forth in the new 1916 catalogue which the Bankers Trust Co. has just issued. This catalogue is not only of interest to banks issuing these cheques, but to everyone who has an appreciation of good advertising copy.

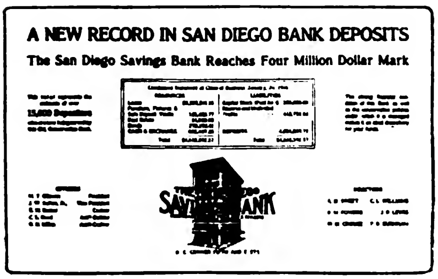
There are booklets describing the cheques, post cards, poster stamps, window displays, motion picture films, lantern slides, newspaper cuts for local advertising and examples of the copy used in the national advertising campaign which the Bankers Trust Co. has been carrying on at large expense since 1909.

Comment on Reproductions

Some Especially Interesting Points Brought Out This Month

IN regard to the advertisements of the San Diego Savings Bank, Assistant Cashier D. N. Millan writes:

The half-page ad. announced the attainment by this bank of the four million dollar mark in deposits. This is the highest point in deposits that has ever been reached by any of the local banks, of which there are twelve. There is no better gauge by



A HALFPAGE NEWSPAPER AD

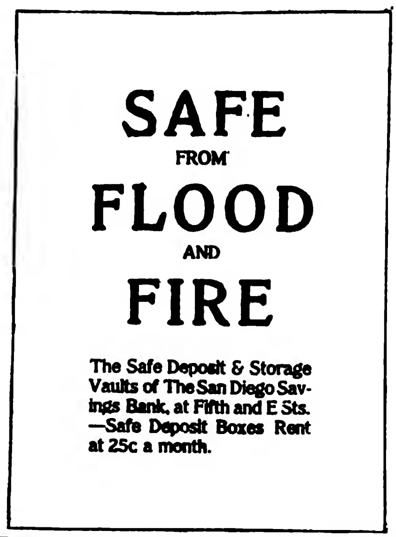
which the prosperity of this section of the country may be judged.

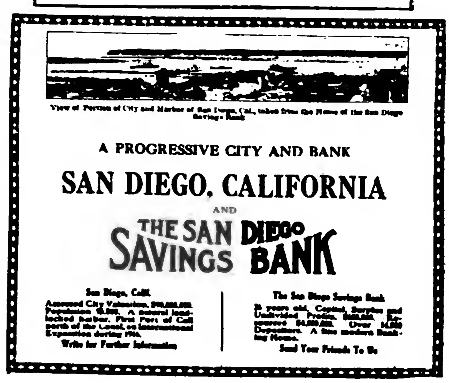
In May, 1913, the deposits of this bank were $3,900,000. This date practically marked the floodtide of prosperity in San Diego. This locality then began to feel the depression that was gradually extending over the country. Conditions, however, remained practically stagnant until this depression was augmented by the outbreak of the European war in July, 1914, at which date our deposit figures were $3,800,000. Then came a sharp drop until October, 1914, when they reached $3,400,000, which was the low mark. From that date the tide changed and we slowly but steadily climbed until in January all former records were passed. At this time we are well over the $4,000,000 mark and predict, in all confidence, that by the end of the year we will have reached five million dollars. All of the other banks in San Diego have lost and gained proportionately so that the condition of the city may be judged more or less by the above figures.

On the same date on which we made this announcement we reached the fifteen thousand mark in depositors, which is a gain of fifteen hundred and fifty since January 1, 1915.

The smaller ad. was published to take advantage of the publicity accorded flood conditions in this country which were recently caused by exceptionally heavy rains. While these floods were very serious inasmuch as they caused a loss of the lives of fifteen people and also damaged considerably the county roads and bridges, and a number of the homes located in the valleys, the reports which emanated from the press of this city were greatly exaggerated. The damage and loss of life was confined entirely to the county, the main destruction being caused by the breaking of one of the dams of the city water system, which is located eighteen miles from town. The city of San Diego was practically undamaged and still has on hand a five-year water supply.

Telegraph and telephone wires were temporarily out of commission during the storm and the local newspapers had nothing to publish but flood conditions. Therefore the entire city was thinking of FLOOD and we





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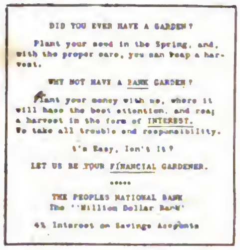
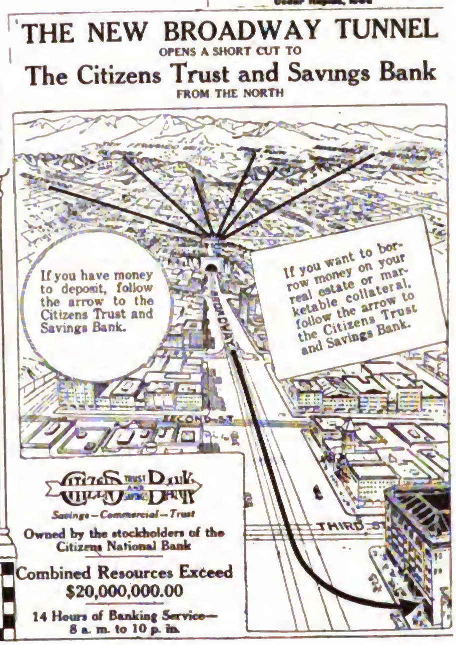
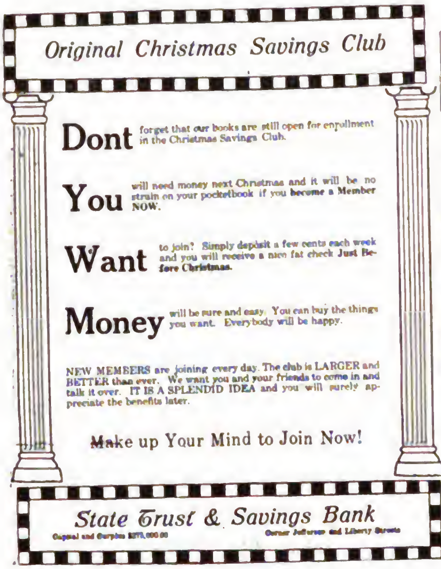






A VARIETY OF STRONG APPEALS

took advantage of this to advertise our Safe Deposit Department. The ad. brought very good results.

These ads. speak for themselves. The safe deposit one is a particularly good "bullseye" effect. Our only criticism is that the distinctive trademark-like signature cut used in the other advertisements should have been used here. It would have strengthened the ad. by taking advantage of the cumulative effect of previous advertising. This is the first time we have seen a twenty-five cents a month rate mentioned in a safe deposit ad. Maybe it's a good idea. Sounds less than $3 a year, but will some people think they have to bother to pay a quarter a month?

⊙

We reproduce ads. both favorable and unfavorable to the Christmas saving and other club ideas. The Toledo "Anti" is not the only one we have seen. A Chattanooga banker sent us another one which was a panegyric of the good old fashioned pass-book and he intimated that it was a case of "sour grapes." We wrote:

"It may be a case of 'sour grapes,' but we don't know but what the idea is all

right at that. There is no question but that the Christmas Savings Clubs get depositors, but are these depositors permanent? We think some statistics along this line from banks that have used the Christmas Savings Clubs would be illuminating. It does not seem reasonable for a bank to urge people to save only to spend it all soon, does it? We thank you for sending us the ad. We will reproduce it in an early number of the BANKERS MAGAZINE and perhaps we can stir up some profitable discussion along this line."

The banker replied:

"It has been our policy all along to keep in touch with the Christmas Club members, and get them to save some of the money which they accumulate, rather than spend it all. I realize that many of the banks simply send a check for the amount due Christmas Club members, and let it go at that. However, we keep in touch with our members by sending them some live matter at times, and instead of sending them a check for the amount, we require them to come to the bank to get the amount due; and it may be of interest to you to know that during the past year we have saved more than twenty-five per cent on the full amount deposited at the end of the club.

"We do not believe, either, in encouraging people to save money simply for the purpose of spending it, but if we can induce them to save by any means, even though we are 'slipping up on their blind side,' as it were, we feel that we are doing them a real service, because sooner or later they are going to appreciate the value of an accumulated amount against spending all of their money as they get it. It seems to me that if the Christmas Club does nothing else, it is worth while for this reason, and as long as we can get twenty-five per cent of the amount deposited on permanent savings accounts, we feel like it is a paying proposition.

"We have organized an association here, which we will call the 'Chattanooga Association for the Promotion of Thrift,' and expect to put on an educational campaign of one month, encouraging people in the adoption of thrift, through the use of practically all the publicity mediums at our command. We expect to use billboards, street-cars, picture slides, posters in factories, newspapers, and talks before the civic organizations, as well as offer prizes to schools and working people for essays.

"While the local clearing-house is back of the proposition, we have enlisted the support of the business men, and as far as the public is concerned, it will appear as a regular campaign for the community welfare. During the last week of the campaign, however, there will appear in the newspapers a coupon which the banks will accept from any person who has no savings account as 50 cents to apply on a new account. There will be a restriction that they must maintain an average balance of as much as $20 for one year before the 50 cents can be withdrawn.

"We do not know, of course, how much direct returns the banks will get from this, but believe it will be a good thing for the community to have a concentrated campaign lasting a month."

Corroborative evidence is furnished by a Wisconsin banker who writes:

We have just completed our campaign for Christmas savings accounts and have been quite successful. Thinking you would be interested we enclose newspaper clippings, also a folder, which we distributed. Please return after perusal with such criticisms as you might have. We started a Christmas savings club about two years ago as some of our customers were going across the street for this service. This year the other three banks in the city followed suit and all local banks now have Christmas Savings Clubs. Our experience has been that a good many of our Christmas savings depositors open regular savings accounts when they receive their checks. While we feel that the principle of savings clubs is wrong, still it seems to work out well; at any rate it is something that the people want.

⊙

The gardening season is with us again and the commuter's fancy lightly turns to thoughts of radishes and beans. There's many a fine garden around Westfield, N. J., so the ad. of the Peoples National Bank, in imitation typewriter type, is particularly apropos and effective.

⊙

The "Bank Bulletin" is a Cedar Rapids bank's idea of combining a house organ and a newspaper ad. It's all right only a few little cuts would brighten it up a bit.

⊙

As we have intimated before no banks in the country have a more insatiable appetite for newspaper space than those of Los Angeles. And they certainly put the "punch" into their copy. Look at that 12-inch by 4-column ad. of the Citizens Trust and Savings Bank. That's worth framing

as a masterpiece of advertising efficiency.

⊙

While we're out there in California we'll take a look at Cashier F. C. Mortimer's circle ads. for the two allied institutions in Berkeley. Their good points are that a circle always stands out on a newspaper page because most

EYECATCHERS

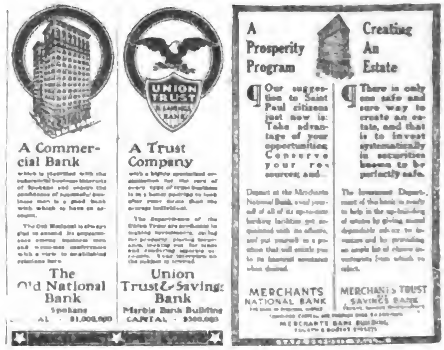
other ads. are rectangular in shape; short, snappy copy; boldface type and a picture of the bank building to act as trademark and to fix the location.

⊙

A distinctive border and set-up together with interesting reading matter characterized an advertisement of the Harriman National Bank, which ran, 7 inches by 2 columns, in the New York "Times." Kind of long, but still there isn't much else to do on the subway or suburban trains but read the ads.

⊙

In a great many cities there are national banks which have affiliated trust companies. Oftentimes advertising economy and efficiency are increased by the co-operative advertising of the al-

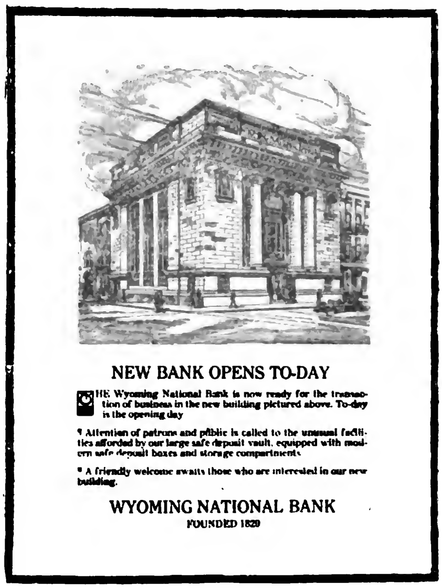


TWO-IN-ONE

lied institutions. Herewith are reproductions showing how this is done occasionally in Spokane and St. Paul.

⊙

When an 87-year-old bank moves into as handsome a building as that of the Wyoming National Bank of Wilkes-Barre, it has a right to use 12 inches by



ARTISTIC

4 columns of newspaper space to announce the fact. This advertisement is a work of art and dignified in every way.

FIRST NATIONAL BANK
OF ROME

Rome, Ga., January 21st, 1915

Readers of The Tribune-Herald:

Let the business and professional men and women of Rome be sure to attend the mass meeting at the court house Saturday, eleven o'clock, a. m., in the interest of the North Georgia Fair. There is no question of the great value a Fair (with a capital F) would be to all of us.

A lot of energetic, prominent citizens have agreed to give their time, without salaries, or graft, to inaugurate, and maintain a Fair if only we will turn over the $20,000.00 in cold cash. It sure would be a good investment; there would be something to show for our money. It is to be a cash proposition all the way thru'—no debts. Come out and help. In going to and away from the mass meeting stop at

THE FIRST NATIONAL BANK OF ROME,

and let us show how well prepared we are to take care of your money until you need it.

Yours very truly,

Jno H Reynolds
President

FIRST NATIONAL BANK
OF ROME

READERS OF THE TRIBUNE-HERALD

ARE YOU IN DEBT?

THE DEBT HABIT IS ONE OF THE GREATEST DANGERS OF OUR TIME—YES, OF ANY TIME. IS IT GROWING UPON YOU? ONCE YOU PAID YOUR BILLS EVERY WEEK—THEN EVERY MONTH—AND NOW? THERE IS ONLY ONE WAY TO GET OUT OF THIS HABIT. TAKE A SMALL PORTION OF YOUR INCOME AND DEPOSIT IT REGULARLY—JUST AS YOU GET IT—IN AN ACCOUNT AT

THE FIRST NATIONAL BANK OF ROME, GEORGIA.

BY THIS METHOD YOU WILL BUILD A SINKING FUND. IT IS THE ONLY WAY.

DEBT AND DEATH ARE TWO WORDS SINGULARLY CONNECTED NOT ONLY IN SOUND BUT IN FACT; FOR THE FORMER FREQUENTLY HASTENS THE LATTER.

Yours very truly,

Jno H Reynolds
President

PERSONALITY

There's real personality in those letter-like ads. of the First National Bank of Rome, Ga. President John H. Reynolds asked our opinion of this series and we said:

"For the most part, the text is excellent, and is of the quality which we believe will get results. You are talking like a human being to human beings, something which not every bank is willing to do. There is something to be desired in the matter of typographic display. Such good copy as you write should have a better setting."

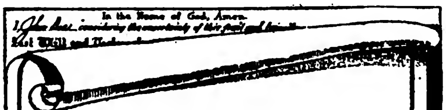
⊙

The trust ad. of a Chicago institution is a long one, but there are three things that save it from the customary condemnation that long ads. receive at our hands. (1) The scroll effect and suggestion of a will at the top; (2) large boldface type, and (3) the "overhang" indentation at the left which breaks it up.

⊙

Referring to the full page newspaper ad. of the First National Bank of Brenham, Texas, we wrote:

We think your full-page ad. in the Brenham "Banner" is a good one. Our only criticism is that it is always a difficult thing to combine a cut and type furniture in making an effective design. The printer did not succeed in joining the shafts of your arrows very well. We think it would have



WHEN a man makes a will creating a trust, he obviously intends that the trust shall be carried out in strict accordance with his expressed desire.

WHEN a man dies he leaves no one but his trustee whose duty it is to see that his wishes are carried out whether the beneficiaries like it or not.

WHEN an individual is made trustee he is subjected to arguments and importunities to modify the expressed will of the creator of the trust, to benefit in some way some one or more of the beneficiaries. The importunities are difficult for the individual trustee to resist, particularly if he is connected with the family.

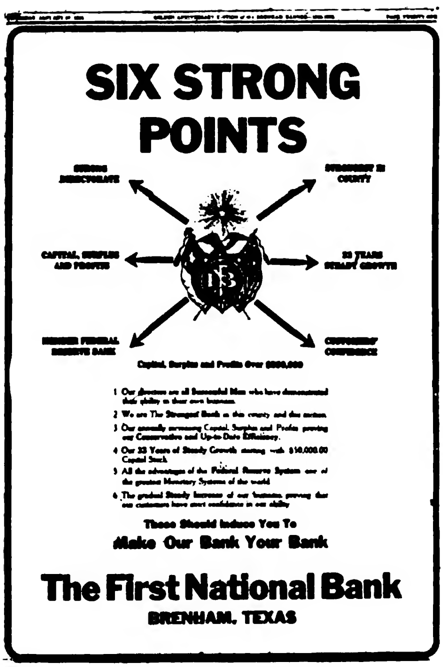
WHEN a man creates a trust which he wishes carried out according to his plans, he will be best served by a corporate trustee. It dares not do otherwise, lest other men creating trusts refuse to trust even a corporate trustee.

A TRUST fund may be created by deed instead of will and the creator may reserve the income to himself for life and may also reserve the right to control the investment of the fund and to revoke the trust if occasion should require.

THIS company will as carefully serve the small estate as the large one.

Chicago Title and Trust Company
69 West Washington Street, Chicago
Assets Exceed $6,600,000.00—No Demand Liabilities

FIDUCIARY FACTS



A NEWSPAPER FULL PAGE

been better to have had the idea carefully drawn and a new cut made or else to have used your trade-mark emblem separately down near the signature cut and then to have had the six points arranged vertically under the heading, using just the tips of the arrows alongside of each.

How Banks Are Advertising

Note and Comment on Current Financial Advertising.

SOME banks always seem to be among the first "to fall for" special days and special editions fathered by newspapers anxious to sell more space, but not quite frank enough to say, "Loosen up and come across. We need the money." In an eastern city it is "Dollar Day," and a bank uses big space to publish a coupon good for one dollar, if deposited with $100 or more in the Savings Department and allowed to remain undisturbed for ten months. In a Western city it was the 29th of February, "Your Day to Gain."

One day's savings will not get anyone anywhere, either in the formation of a habit or the accumulation of a fortune.

Publishing and giving away free a reference map showing the actual owners of record of each piece of downtown business property in Spokane is a good advertising effort of the Union Trust & Savings Bank of that city. Publicity Manager Carl W. Art, writes:

"Enclosed please find our 1916 Ownership Map, together with news item announcing it in the paper, the ad run in connection therewith and our postal card mailed to former map holders. Altogether, this publicity has brought in 385 calls at the mortgage department during the past week, 126 of them coming on the first day."

With the red ink heading, "How Are Collections?" the Bank of Valley City, Valley City, N. D., sent out to business houses and banks this good form letter:

GENTLEMEN:

The above question is often addressed to wholesalers and by them to others. It is always a live question in any business establishment.

The answers vary in different seasons and in different localities, depending on business and crop conditions, and depending also *on the kind and character of the service employed.*

You of course are looking for the very best service obtainable in each locality where you extend credit, so we enclose a fac-simile of a letter recently received from one of our clients, the International Harvester Company, whose collection business we have had continuously and exclusively for many years. One reason for the high degree of efficiency shown is that all business entrusted to us receives the personal attention of an officer.

Can we serve you?

Yours very truly,
JAS. J. EARLEY.
President.

An officer of the Lake City Bank of Minnesota believes that occasional em-

phasis should be placed on the fact that a man with good credit standing can obtain a loan from the bank without collateral security. Accordingly he recently caused to be published in a local paper this advertisement:

YOUR CHARACTER AS SECURITY

We believe with the late J. Pierpont Morgan that the character of the borrower is the main thing to be considered in extending credit.

Moreover, we believe that a good bank ought to be willing to help the small borrower without collateral as well as the large one who has such security.

It is better to get your loan from a good strong bank like this because your chances of renewing your loan if desired are better than in the case of the average individual lender.

LAKE CITY BANK
OF MINNESOTA.

Capital	$50,000.00
Surplus	$50,000.00

⊙

On February 1 last the Citizens National Bank of Macon, Ga., celebrated its eighth birthday with a full-page advertisement in the Macon "News." The meat of it was in the following paragraph:

This bank has set aside surplus and profits of $132,000 earned in the eight years for the additional security of its depositors and the accommodation of its customers. We have also earned and paid in cash dividends $105,000 to our stockholders. We have paid to our customers in the same time over $135,000 interest on their accounts. We realize that the success of this institution has been due to the hearty co-operation of the good citizens with whom it has done business. For this we are profoundly grateful.

⊙

Among the banks that have recently conducted prize writing contests are The Dime Deposit Bank, of Wilkes-Barre, Pa., and the Oak Park Trust & Savings Bank, of Oak Park, Ill. The plan of the former was outlined in this advertisement:

"HOW THE DIME DEPOSIT BANK'S THRIFT HELPS HAVE HELPED ME."

Many thousand people in this city and suburbs have learned the "'Saving Habit" through the aid of the many helpful plans originated, owned and controlled exclusively by the *Dime Deposit Bank.*

$25 IN GOLD

will be given *free* to the best three answers to our question above: "How the Dime Deposit Bank's Thrift Helps Have Helped Me."

First Prize	$15.00
Second Prize	$5.00
Third Prize	$5.00

If you have been helped, write your experience to us. Answers must be plainly written on one side of paper in not more than 100 words.

Address all replies to

"The Contest Editor,"

THE DIME DEPOSIT BANK

——*The Home of Thrift*——

Corner West Market and Franklin Streets, Wilkes-Barre, Pa.

Open Saturday Evenings.

Contest Closes February 22

⊙

The Oak Park institution constructed a prize essay competition in co-operation with the local high school. The pupils were to write essays on the importance of saving and thrift.

⊙

As part of the general campaign of thrift education, the "Daily Free Press" of Bessemer, Ala., published thrift articles on the upper half of its front page on February 3d last. The articles included one on "Thrift is the Best Plan of Preparedness," by Geo. E. Rutledge, president of the Bessemer State Bank, and "Qualities That Win in the Battle of Life," by R. F. Smith, president of the Bessemer National Bank. The lower half of the page was

RICHMOND TIMES-DISPATCH, SUNDAY, FEBRUARY 6, 1916. ELEVEN

Open a Bank Account

THRIFT

3% Interest Paid on Savings

A man may, if he knows not how to save as he gets, keep his nose to the grindstone. Franklin—

Every man's life has its opportunity orbit, which provides a place to use his talents, abilities and cultivate initiative. Opportunities bob up every day, and it is the alert, far-seeing man that can most profitably harness them. He is the fellow who knows, understands and wants thrift.

HERE IS AN OPPORTUNITY FOR THRIFTY PEOPLE

THREE FREE BANK ACCOUNTS

1st Prize, $15 Bank Account. 2d Prize, $10 Bank Account. 3d Prize, $5 Bank Account

To the person who selects, in his opinion, the best ad reproduced on this page, and most INTELLIGENTLY and NEATLY tells why, we will give a $15 bank account.

To the next best we will give a $10 bank account. To the third best we will give a $5 bank account.

These bank accounts must remain in our savings department for one year, and will bear 3% interest. All answers must be in before 12 o'clock, February 12th, 1916.

Answers must be confined to not over 150 words. Address all letters to the Advertising Department of the American National Bank, Richmond, Va.

INVEST

Your Money

In securities that are issued under the provisions of the Federal Reserve act.

THEY ARE SAFE.

The American National Bank
of Richmond, Virginia

Richmond's Chance

Wonderful markets and trading facilities calculated to improve our living conditions can be developed all around us.

We must expend our energies and money where it counts for the most. Stand behind the business organizations and we will see great things for Richmond in the year 1916.

The American National Bank
of Richmond, Virginia.

CAPITAL AND SURPLUS, - - $1,000,000.00
SECURITY AND SERVICE.

Pay as You Go, and Pay by Check

WHY?
BECAUSE:
A check book is safer to carry in your pocket than money.
A check is a LEGAL RECEIPT and you are saved the annoyance of waiting for change.

The American National Bank
of Richmond, Virginia.
SECURITY AND SERVICE.

Our Vault Is Protection Against Robbery or Fire

INSPECTION OF OUR VAULTS INVITED
BOXES $3.00 PER YEAR AND UP

The American National Bank
of Richmond, Virginia.
SECURITY AND SERVICE.

Thrift and Industry

Have made wealth and prosperity throughout the ages.

A passbook is a constant reminder of your "promise to pay yourself." A Bank Account gives one a feeling of security and confidence and is a commendable reference at any time. It is indicative of THRIFT AND INDUSTRY.

The American National Bank
of Richmond, Virginia.
SECURITY AND SERVICE.

Sift It Down

And the LUCKY MAN so-called, is the one who keeps building up a reserve in bank and can catch a bargain when it comes his way.

Be one of the LUCKY MEN in your community by making a regular deposit every pay day in

The American National Bank
of Richmond, Virginia.

Let your money grow at 3% compound interest in our Savings Department or buy a Gilt Edge Bond earning 6% interest.

SECURITY AND SERVICE.
CAPITAL AND SURPLUS, $1,000,000.00

For the Farmer

To keep his money in the house is dangerous. Money is too hard to earn for anybody to lightly take chances of losing it. A checking account is the most satisfactory way for anybody to handle their finances. He enjoys absolute SECURITY when his money is not in use and most satisfactory SERVICE in the payment of any obligation. Let us give YOU this protection. BANK BY MAIL.

The American National Bank
of Richmond, Virginia.

Capital and Surplus $1,000,000.00
Resources $9,300,000.00

At Your Service

It does not make any difference about your class of business or occupation, if you want any information about trade matters, banking, bonds, wills, trusteeships or anything else relating to money or finance, you will find us ready and willing to serve you. Write or come to

The American National Bank
of Richmond, Virginia.

CAPITAL AND SURPLUS, - - $1,000,000.00
SECURITY AND SERVICE.

A Little Girl

Scarcely tall enough to reach to the window came into this bank the other day and made a deposit in our SAVINGS DEPARTMENT.

We want the little people to feel at home with us. Let them grow up with the BANKING IDEA. IT WILL BE INVALUABLE TO THEIR FUTURE SUCCESS.

Bring your son and daughter down and let them open a SAVINGS ACCOUNT with

The American National Bank
of Richmond, Virginia.
SECURITY AND SERVICE.

Commissions

Allowed Executors, Administrators and Guardians are FIXED BY LAW. In the State of Virginia they are EXACTLY THE SAME if you name the American National Bank your Executor as if you had appointed an individual in this capacity.

It will cost your estate nothing to have the protection of the NATIONAL LAW. Talk it over with our Trust Department. The SECURITY AND SERVICE of your family after you are gone depends upon the judicious handling of your estate.

The American National Bank
of Richmond, Virginia.

CAPITAL AND SURPLUS, - - - $1,000,000.00

"I Would Never Have Been Able to Have Accomplished What I Have If It Had Not Been for the Thrift Club"

This is what we have heard on every hand since our checks went out.

It is very gratifying to know that this SAVINGS PLAN has brought satisfaction to so many people.

Of course, YOU will be one of them next year.

JOIN NOW. Classes 25c, 50c, $1.00 and $2.00 per week.

The American National Bank
of Richmond, Va.
SECURITY AND SERVICE.

CAPITAL AND SURPLUS, . . . $1,000,000.00

Bridging the Gap

It may be a spell of sickness or a streak of bad luck that causes a gap in your earnings. HOW are you preparing for this time?

Will you be able to meet it with a mind at rest because you have SAVED and are prepared to pay your obligations promptly.

The American National Bank
of Richmond, Virginia.

will help you build for your future SECURITY AND SERVICE.

CAPITAL AND SURPLUS, - - $1,000,000.00

"After Thirty Years' Experience

In making investments, I am convinced that the six per cent farm loans offered by this bank to investors have more of the elements of safety than any security of which I have knowledge."

[signature]
President.

The American National Bank
of Richmond, Virginia.

MAIN AND TENTH STS. **AMERICAN NATIONAL BANK** RICHMOND VIRGINIA

HERE ARE A NUMBER OF SAMPLE ADS. OF THE AMERICAN NATIONAL BANK OF RICHMOND. TO THE PERSON GIVING THE MOST SATISFACTORY DESCRIPTION OF THE BEST OF THESE ADVERTISEMENTS A FIRST PRIZE OF $15 IN THE SHAPE OF A BANK ACCOUNT WAS OFFERED, AND SECOND AND THIRD PRIZES OF $10 AND $5 RESPECTIVELY.

occupied by an ad. of the latter institution.

The American National Bank of Richmond, Va., is distributing among its clients a little pamphlet entitled "Safe Investments," which is devoted to a discussion of the investment value of Virginia farm lands. This bank places loans on improved farm land in Virginia under the provisions of the Federal Reserve Act, and then sells these to investors in the form of coupon notes in denominations of $100 and $500, yielding six per cent. interest payable semi-annually.

Advertising Notes

FACTS, rightly used, are the most important things in the world, but in advertising these facts must be energized and humanized by sympathy, imagination and an objective attitude of mind, that is, an appreciation of the *customers'* viewpoint.

Co-operative, unsigned advertising was recently done by downtown St. Louis banks having safety deposit boxes for rent. The copy, prepared by an advertising agency, called attention to the greater safety and convenience of downtown boxes, the purpose being to convince the public that a downtown box at $5 was better than a suburban box at $3, in addition to creating an increased demand for safe deposit boxes. The banks paid for the campaign in proportion to the number of boxes rented by each.

In regard to this campaign, John Ring, Jr., of the Mercantile Trust Company, wrote: "The campaign covered a period of nine weeks, and during it none of the companies used the newspapers for safe deposit advertising, but they all ran a very aggressive direct campaign on behalf of their own institution—this copy connecting them directly with the newspaper series."

A man once asked a publisher to recommend a bank to him. Naturally the publisher suggested the banks that were advertising. "Why?" said the inquirer, "Aren't the others just as good?" "Probably they are," replied the publisher, but these banks I have mentioned are spending good money to tell you about themselves. They are meeting you more than half way." He saw the point, and went to one of the banks that advertised. Of course there is a point for the banks to see in this too.—*Geo. R. Glendining,* Manager, Banker and Tradesman, Boston.

The newspaper is dealing in live issues. It takes the pictures of the world's events hot from the wire each day. It stirs popular interest to its profoundest depths. The advertiser can take advantage of all that is in the newspaper. In the newspaper the advertiser can "do it now." The noiseless, resistless appeal along the lines of human interest becomes the greatest force in modern merchandising—a force that gradually builds up for a firm or a product a good will asset which the greater conflagration cannot destroy.—*Truman H. De Weese,* Directors of Publicity, The Shredded Wheat Co.

I have in mind a bank in the Middle West that conducted a savings bank campaign for nearly two years, running two ads. a week in each of a hundred periodicals, making a total of approximately two hundred ads., and no two ads. alike. The banker should have no more difficulty in talking to the people of his town through the columns of the newspaper than he does when he talks with them face to face. And if he does this and continues it week after week and year in and year out, experience has proved time and again that his bank will grow and continue to grow.—*F. W. Ellsworth,* Publicity Manager, Guaranty Trust Co., New York.

Getting the Right Spirit Into the Bank

Editor Bankers Magazine:

Sir:—In your February number you print an article by Douglas E. Petit on the "Popularity of the Bank," which contains many helpful points. Mr. Petit is right in his conclusion, that the popularity of a bank depends largely upon the treatment extended depositors at the various windows, but it seems to me that he has arrived at a conclusion without duly considering the process which leads up to the results he desires.

The successful teller is made so by a definite process which can be applied in any bank, and is sure to produce the desired end. In the first place, there must be a selected man. Some men are by temperament absolutely unfitted to meet people. They are by disposition cantankerous, undiplomatic, hot-headed, and it may be, sick. Every boy who is taken into a bank should be carefully watched for the development of traits which will fit or unfit him for duties higher up. Too many banks are run on the hit-or-miss plan. Men are taken in because somebody wants them to work in a bank, and the whole scheme of operation is one of drifting. You cannot make a strong organization by any such plan. The boy who succeeds is the boy who fits in, and the qualities that make a successful banker will soon be apparent; therefore, the first essential is that the force be picked and the right man be given the right kind of work. Many a man fails because he is doing work for which he has no liking, and he can never make good in a distasteful occupation. If, however, your teller is a selected man—one who has demonstrated good habits, quickness of motion, approachability, adaptability, and diplomacy,—he has the beginning of the ideal teller. There are some men who cannot even say, "I do not know you," to an individual presenting a check for cashing, and do it so that it does not sting; but these qualities can be cultivated through proper coaching.

Second, your man must feel that he is part of the organization and not simply a cog in a big machine. If throughout his banking career he is given no recognition; if good work gets him no commendation, and poor work nothing but abuse, he cannot be expected to have the "smile that wins." Many a bank clerk has a secret longing for just a modest title that takes him out of the mass and makes him an individual. There are some banks that never believe in giving the man any recognition; there are others that believe good work is stimulated by the feeling that goes with a title, however humble. In order to promote these feelings, the bank with which the writer is connected has distributed offices to the last degree, and has recently placed the name of each individual over his window, so that the public will no longer deal with a man, but a personality.

Third, your man must be a contented man, for if, by temperament or by experience, he has become an anarchist, a grouch, a pessimist, he can never do good work. When work becomes humdrum and the day's duties monotonous, it can hardly be expected that they will be done with the "pep" and enthusiasm which follow ambitious optimism. Therefore, if your man be selected and recognized and contented, he is bound to produce the results which Mr. Petit holds so necessary.

All this can be brought about in only one way,—*from the top down.* If you expect your men at the windows to hand out the gospel of good cheer and radiate smiles, they must first be handed such things themselves. You cannot beat a spirited horse and get the same degree of service thereafter. You cannot belittle a man's learning, ride rough-shod over his feelings and treat him as an underling, and expect him to have the kindly heart and contented

look. If you want him to satisfy your customers, *satisfy him first.* Like begets like. Kindness begets kindness. Consideration begets consideration. Thoughtfulness begets thoughtfulness. Smiles beget smiles. If your board of directors want the personal touch to be the touch that wins, they must start the process from the top, giving to every man who does well all possible recognition, as ample compensation as the profits warrant, and a personal friendliness that breaks down the barrier too often existing between the office and force.

In a certain bank everybody says "good-morning," and everybody says "good-night,"—not because they have been told to do so, but because it seems natural to do so, for the administration tries constantly to engender such feelings. In another bank nobody says "good-morning" and nobody says "good-night"—there's a reason. In one bank salaries were raised twice in a single year, vacations extended one week, extra help brought in to relieve the over-worked clerks and new positions created, and a steady effort made to promote an atmosphere of kindliness and get-together-ness. It was like a tonic.

The fault many times lies not with the man (though many times he may be at fault), but with the atmosphere in which he works. The bank which is not permeated with the spirit of good will had better make an analysis of the officers and see if they are of such character as to command respect; that their private and banking lives are above reproach, and that there is nothing which casts a shadow upon the part they assume to play; for if your men lack respect and cast the sneer, you had better give up the idea of ever winning their loyalty.

Good will is an easy thing to cultivate, so costless, except in thoughtfulness, so fruitful of good results, so necessary in success that the wonder is men do not more carefully analyze their motives and methods to see wherein they fail.

SUBSCRIBER.

New York State Banks of Discount to Organize

AS the outcome of an agitation among members of the New York State Bankers Association for the formation of a separate body to include the state banks of discount, a section has been organized similar to the Trust Company Association, the Savings Bank Association and the Private Bankers Association. The officers of the new section are Elliott C. McDougall of Buffalo, president; John H. Gregory of Rochester, vice-president, and Paul E. Bonner, secretary and treasurer.

In banking circles the step was looked upon as a compromise on the recommendations originally submitted by the head of the State Banking Department, Eugene Lamb Richards. The organization of a separate section for the state banks is the result of complaints by their officials that the interests of the banks of discount were not being properly safeguarded as the trust companies and savings banks are through their separate organizations.

With the conflicting viewpoints between the Federal Reserve System and the state banks it was also pointed out that the state institutions needed identification with a separate body, to be in a position to look after their own interests should they come in contact with the national banks'. Another phase of the section's activities will be to oppose adverse legislation at Albany.

The new section of state banks of discount, it was announced, will have no headquarters, no paid officers, no conventions and no annual trips. It is expressly designed not to interfere in any way with the New York State Bankers Association.

City Bank Creates a Business Fellowship

THE National City Bank of New York has entered into an arrangement with Harvard, Columbia, Yale, Cornell, Princeton, Pennsylvania and New York universities for co-operation in a practical course of education for foreign banking and commerce. W. S. Kies, vice-president of the National City Bank and the representatives of these Eastern universities have also, in a recent conference, met representatives of the Wisconsin, Michigan, Chicago, Minnesota, North Western and Illinois universities for the purpose of extending the plan to these Western institutions.

The fellowship will enable certain students selected by the universities and colleges of the United States to spend one year in the employ of the City Bank during their four years or more in college, and in consideration of the practical work obtained at the bank, and certain courses of study pursued while there, the universities will allow the students to graduate with their A. B., B. S., or some like, or higher degree, along with their class.

The National City Bank agrees to pay the student in connection with this fellowship the sum of $50 per month for the first twelve months in its employ, with the opportunity of entering the permanent service of the bank at the end of that time, provided that there is an opening and that the student has satisfactorily passed the requirements of both bank and his university.

The bank further agrees to allow the student a sum not to exceed $150 for railroad fare to and from his university and the bank; it being understood that this does not cover more than two trips to and from the bank, and applies only to those students accepted by the bank.

On behalf of the bank the constructive work in planning practical educational work has been in charge of Samuel McRoberts, J. H. Perkins and W. S. Kies, vice-presidents, and Ferdinand C. Schwedtman, director of efficiency.

The bank's announcement of its plan reads in part as follows:

"The development of American foreign commerce and its advancement after the war, in face of the keen competition which may be expected, demands that American business interests in the foreign field must be conducted by Americans. Years ago the English and Germans recognized the principle that a lasting foreign trade was dependent upon the exportation of their men fully as much as the exportation of their commercial products and capital. Most of all the development of American foreign commerce depends upon the character and training of the men who are to carry on the work.

"England early realized this, and in the establishment of her foreign branch banks that were the forerunners of her commercial advance, especially in South America, she instituted a system of schooling for her junior clerks and taught them to look forward to going into the foreign service in the interests of her commerce.

"Germany trains her young men early for the commercial service. An elaborate system of schooling, beginning with the lower grades and continuing through the higher education of the universities, was worked out to fit her young men for her growing trade. Their courses of study are shaped to that end. After the training period they are sent to the countries of their future activities, there to grow up with their future customers and to enter into the life of the country.

"Forty English banks operating in foreign countries have 1,325 branches. In South America five German banks have forty branches and five English banks have seventy branches, all manned by their own countrymen.

"Following the successful example of the Germans and English banks, the National City Bank, in the establishment of its branches in South America, endeavored to select only young Americans for its service and met at once with the difficulty of finding young men properly trained to fill its positions of responsibility abroad. The future success of American Foreign Commerce rests with the placing of American business interests abroad in the hands of Americans. Young men are needed who know the language and the customs of the country where they will be stationed; who can acquire the foreigner's manner of doing business with an appreciation of his point of view, and who can still retain their loyalty to the United States and the development of American commerce. Heretofore our young men have not had the training which would fit them for this service.

"After carefully investigating the situation, the bank decided that it was necessary to work out certain practical courses of study and to create what in effect is a school of its own, for the purpose of training young men along practical banking lines. Last August twenty young college graduates were taken from a number of universities, organized into a class and put through a definite training. The class as a whole has justified the initial experiment, and after being in existence for six months, at least fifteen out of the twenty young men may be counted on for positions of trust.

"The success of the first year's experience in bringing college trained men into the bank has led to the drawing up of a plan whereby the facilities of the City Bank may be used in co-operating with the various universities of the country in fitting young men for the banking field.

"The original draft of the plan was first informally submitted to professors of some fifteen or sixteen universities, and was very favorably received in every instance. The main point in question seemed to be the matter of university credits to be received by the student for his work at the bank. It is recognized that universities could not properly give credit for outside work over which they had no supervision, and to meet this objection a conference was held on February 18, with representatives of seven of the leading Eastern universities to discuss the problem.

"The bank proposes the organization of a class made up of students recommended by the universities, to begin between June 15 and July 1, 1916, and to end about August 1, 1917. The selection of men by the bank will be based upon personality, character, scholarship, practical experience and personal references. A knowledge of languages and experience in banking will receive special consideration.

"Each man accepted by the bank will be required to pursue certain courses of study, such as banking, foreign exchanges, credits, economics, commercial geography, and a language. Classes for this special work will be held between the hours of 8:15 and 9 a. m. and from 5 to 5:45 p. m., with a forty-minute luncheon class under the supervision of a language instructor. The time between these classes will be used for practical banking work. Examinations will be held from time to time to determine the progress which is being made by the individual student and the class as a whole."

Good-Night for Him

THERE is an officer in one of the Eastern banks whose journey from one institution to another was for some years more rapid than his progress toward preferment, honors and a big salary in any one institution. At last he thought he was very comfortably settled in a bank having a fine new building, with plenty of marble and bronze fittings, easy and luxurious furniture and appointments, and a president of the old-fashioned, dignified side-whiskers type. A spirit of courtesy pervaded the establishment, and it was the cus-

tom of the employees before leaving the bank after their day's work was done to file through the officers' rooms and say "good-night" to whoever might be remaining on duty there.

"This always seemed a useless proceeding to me," says the banker who tells this story on himself. "In fact, there was a big solemn-looking clock in one corner of the main banking room, and I was always so busy watching for the hour of three to arrive that I never could see any point in wasting time in saying 'good-night' to anybody.

"One afternoon, just before the stroke of the magical hour, when I was shaping my desk up for closing, the venerable president passed my window, and bowing with more than even his wonted courtesy, said 'good-night' to me, placing as I thought an altogether unnecessary stress on the 'night.'

"A few minutes later I was called in before the cashier and dismissed from the bank's service.

" 'What's the matter?' I asked.

" 'Nothing,' said the cashier; you're as regular as the clock; but this bank is more than a fine piece of mechanism. It's all that plus human personality. You haven't time to say 'good-night' to your associates, so the bank says 'good-night to you.'

"I've learned a few things since those days," said the banker. "And now I don't watch the clock any more. Besides, all our employees and officers say 'good-night' to each other before leaving the bank."

A Clairvoyant Bank Manager

IN the latter half of last year—so runs a London legend—an officer called on his bank manager with regard to certain dispositions of his balance preparatory to his departure for the front.

"You won't be away long," said the manager.

"How do you know?" was the reply.

"You will be back in quite a short time, wounded in the hand."

When the officer actually returned, with a wounded hand, and in a short time, he was puzzled. However, his wound healed, and he was off again. He went to bid "good-bye" at the bank.

"Any more prophecies?" said he, jocularly.

"You will be away longer this time," replied the manager, 'and then you will be rather badly wounded in the leg."

When the officer was wounded in the leg and came home, he sought the first chance to interview his far-seeing friend at the bank.

"As you can foretell my wounds, can't you give me the date of the end of the war?" he asked.

"The war will end," said the manager, "on June 17 next. But I shan't live to witness it. I shall just about see New Year's Day, and that's all."

He died on January 2. The officer is now looking forward with extraordinary interest to June 17.—London "Financial News."

The Bank Director and the Clayton Law

APPROACH of the date when Section Eight of the Clayton Anti-Trust Law becomes effective has led the Mechanics and Metals National Bank of New York city to publish a digest of the section, for distribution among banks throughout the United States. It is in booklet form, and bears the title, "The Bank Director and the Clayton Law."

Provisions of Section Eight, forbidding the so-called interlocking system of directing banks, will become operative on October 15, two years having been allowed by Congress in 1914 for readjustment of the old order of directing banks. By reason of the involved language and ambiguous terms used, bank officers and directors generally have found it difficult to learn the extent of the application of the section, and in a great many cases are today

as much in the dark regarding their own position under the law as when it was enacted.

In the booklet of the Mechanics and Metals National Bank the matter has been treated simply and concisely, interpretation being made as clear as the terms of the law permit. There has up to this time been no judicial utterance on the subject, but opinions of the Federal Reserve Board's counsel at Washington have been used to good effect in helping the unofficial interpretation of this booklet.

Dubious About Thrift

WHILE most people these days are lauding thrift as a virtue, the San Francisco "Argonaut" maintains an attitude of reserve, though quite willing that others should practice thrift if they want to. Here is what is said:

"Frank C. Mortimer is the author of a dainty little volume of 'Paragraphs on Thrift,' just published by the Bankers Publishing Company, New York. We are not at all sure that thrift is a good thing and we are quite sure that we have no predilections in that direction, but so long as there are people who wish to practice thrift it is well that they should be encouraged by such bright and clever precepts."

A $43,000,000 Bank Check

ON March 16 a check for $43,538,131.11, drawn to the order of the Guaranty Trust Company of New York, passed through the New York Clearing-House. As far as can be learned, this is the largest bank check that has ever passed through a clearing-house in the United States.

This check was drawn in payment for the issue of Midvale Steel and Ordnance Company five per cent. convertible bonds, which were recently sold by the syndicate headed by Lee, Higginson & Co., the Guaranty Trust Company and the National City Bank.

On the same day the New York Clearing-House Association reported a credit balance in favor of the Guaranty Trust Company of New York of $39,279,235.38. With but one exception this is the largest credit balance in favor of any banking institution ever reported by the New York Clearing-House Association. The only other larger credit on record was for $39,597,421.89 in October, 1915, in favor of the National Bank of Commerce.

Program for Kansas City Convention of A. B. A.

THE general program for the Kansas City Convention of the American Bankers Association as discussed and arranged between the Clearing-House Committee and General Secretary Farnsworth, subject to the approval of the Administrative Committee of the American Bankers Association, is as follows:

Monday, September 25:

Morning—Committee meetings.

Afternoon—Executive Council meeting.

Evening—Get-together smoker at the Auditorium.

During the day those who desire may visit the Stock Yards; automobiles will be furnished for that purpose.

Tuesday, September 26:

Morning, Afternoon and Evening—Section meetings.

Wednesday, September 27:

Morning—Section meetings.

Afternoon—At 12:30 o'clock, an automobile ride to Longview Farm, one of the finest farms in the West and specially noted for its fine Jersey cattle and its string of fine carriage and saddle

horses and polo ponies, which are the property of Miss Long.

The afternoon will be given over to cattle show and display of the horses, a barbecue or luncheon, good music and amusements, country circus, etc., through the courtesy of Mr. R. C. Long.

Thursday, September 28:

Morning and Afternoon—First day's sessions of General Convention of the Association in the Auditorium.

Evening—Reception and ball in the Auditorium.

Friday, September 29:

Morning and Afternoon—Second day's sessions of General Convention in the Auditorium.

Evening—Concert.

Saturday, September 30:

Morning—Executive Council meeting.

A Prosperous Western State

ACCORDING to a Kansas exchange, calamity days are over in that state. Kansas, it says, has recently produced in one season 182,000,000 bushels of one single crop, wheat. It was the greatest production of any state or province in the world. It was one-fifth of the entire wheat harvest of the United States, and was many million bushels more than the whole crop of entire Canada. Kansas is the first in all the states in alfalfa and in the sorghums; and is third in all the states in value of all crops. Iowa and Illinois alone rank above it. The farm products and livestock alone in this state for 1915 reached the enormous aggregate of six hundred and fifty-two million dollars, or $390 for every man, woman and child within its borders. The value of all the property in this great commonwealth, if it were divided equally among every soul, would give each $1,725; or, assuming that the average family numbers five, would give to every household nearly $9,000. The deposits in the banks alone last fall would put an average credit in cash to each one of the people, man and woman, youth and child, $134.

Porto Rican Banks

ACCORDING to a statement issued by the Clearing-House Association of San Juan, P. R., to which belong the six banks of the city, the total deposits on June 30, 1915, of the twelve recognized banks in the island reporting to the Treasury Department amounted to more than $11,300,000, a healthy increase over the previous year. Nine of the twelve banks are owned and controlled by local capital, while another is an American bank and the other two are Canadian.

Of total loans of $8,440,000 which these twelve banks reported on June 30 last, more than $4,750,000 was held by banks with local capital, $2,260,000 was held by the two Canadian banks, while the one American bank had loans amounting to $1,425,000.

Interest rates charged by these banks, according to the Clearing-House Association statement, vary from 7½ per cent. to twelve per cent. per annum, the average being approximately nine per cent.

Courtesy and Banks

THE following statement which is conspicuously posted in the stations of a large Eastern railway company for the guidance and inspiration of its employees would seem to apply with equal force to the officers and employees of the banking institutions of this country:

COURTESY

This railroad believes in courtesy.

It expects its officers and employees to be courteous in all their dealings with passengers, patrons, and one another. It asks that they, in turn, be treated courteously.

The railroad officer and employee, above all others, should be courteous, because the

railroad is a semi-public institution. Those who patronize the railroad expect and should receive courteous and helpful treatment.

Courtesy is catching.

Be courteous always. Courtesy makes the rough places much easier, and helps to smooth away life's little difficulties. Courtesy is a business asset, a gain, and never a loss. Courtesy is one mark of a good railroad man.

"Life is not so short but there is always time for courtesy."—*Emerson.*

Why Do Your Depositors Close Their Accounts?

By D. R. BRANHAM of the Hellman Commercial Trust and Savings Bank, Los Angeles, Cal.

THERE is a department in banking which should be more generally established—a department that will make any large bank handsome returns on the investment; it is a Close Out Account Department.

In observing the banks of this and other cities I am prompted by their method of closing out accounts to write this article for THE BANKERS MAGAZINE, believing that any bank can save fifteen to twenty per cent. of all closed out accounts by placing a genial, tactful and observing person in charge of that department.

I do not base my statement on theory, but on actual results obtained by the Hellman Commercial Trust and Savings Bank, Los Angeles, where each month the saving in closed accounts amounts from 120 to as high as 202.

The advantage is not alone in the saving of an account; you find out things about your bank that you never knew before, and you impress on the departing depositor the feeling that the bank has a real human interest in his welfare, and in bidding him godspeed express a hospitality that brings him back to your bank on his return.

Poor judgment, mistakes, and errors—the kind that seriously offend—all come to light, and you have the opportunity to adjust, rectify and explain, promising that they will not occur again. The further assurance of the president or cashier replaces a near-lost customer, and you repair the defect in your service.

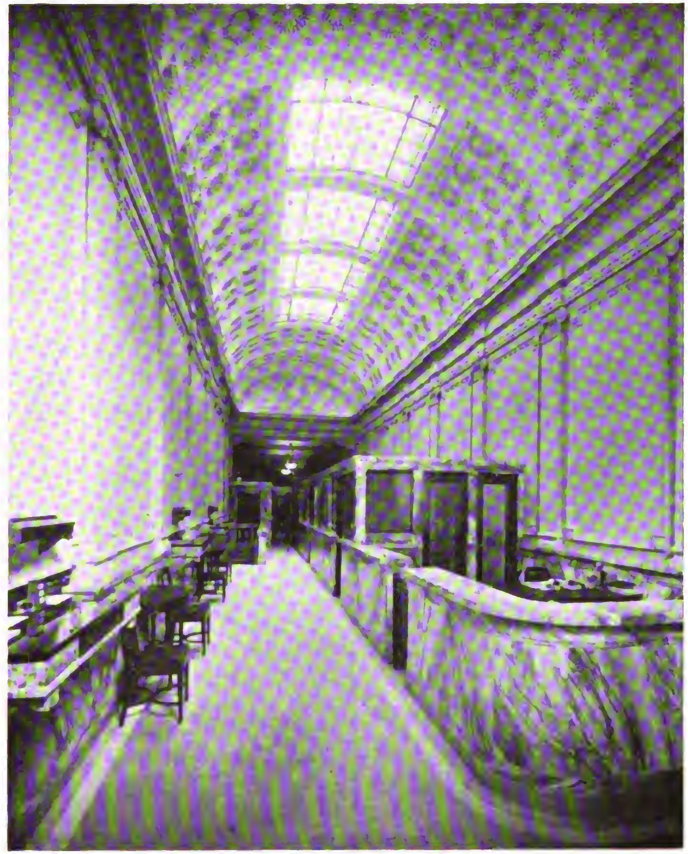
Many savings accounts are closed out because it is as easy for the depositor to write his check for the entire balance as for a part, being of no consequence to him that the large cost of securing and opening the account has been paid; but it is of the utmost importance to the bank not to let a customer go so easily. We must in a very tactful way suggest that he has gone to some trouble to establish an account, and in order to avoid the delay incident to reopening the account, propose that he leave at least $1 on deposit. The result is that he will usually do this; he leaves the bank your depositor and that $1 will nearly always bring him back.

Had this customer left with his entire balance he would have been any bank's possible customer, and the bank handy at the most receptive moment would have secured the account.

A customer that leaves your bank dissatisfied may mean not only the loss of his account, and the accounts of his friends, but his influence in years to come; so why is not the effort to hold the old depositor and retain his friendship well worth any expense?

Put the right man in charge of closing out accounts, and the report at the end of thirty days will surprise you, and you will have established better efficiency.

HOLMES & WINSLOW, ARCHITECTS


HOLMES & WINSLOW, ARCHITECTS

EXTERIOR AND INTERIOR VIEWS OF THE METROPOLITAN TRUST COMPANY'S NEW FIFTH AVENUE BRANCH

DIRECTORS ROOM ON MEZZANINE FLOOR. METROPOLITAN TRUST COMPANY, FIFTH AVENUE BRANCH

Metropolitan Trust Company, New York, Opens Fifth Avenue Branch

ON March 6 the Metropolitan Trust Company of the City of New York opened to the public its new building at 716 Fifth avenue, between 55th and 56th streets. The branch will be known as the Fifth Avenue Office.

The architects are Messrs. Holmes & Winslow of New York. It is a good example of their ability to meet the best requirements of modern bank construction—work in which the firm specializes.

The new building is inviting in appearance and appropriate to the use for which it was designed. On entering one is impressed by the light and spacious banking room, by the superior taste shown in the decorative treatment, and especially by the complete utilization of space for affording the best possible service.

Directly in front of the entrance is the manager's office, enclosed with a handsome rail of Italian marble with coloring in keeping with the rest of the room. A door leads from this room to a private office, also a door to a passageway back of the tellers' cages, which communicate with the working space at the rear. The building is equipped with an automatic electric elevator used as a combination coin and passenger conveyance to the burglar-proof vaults in the basement.

The entire banking screen is faced with marble and trimmed with solid bronze frames and guards of simple de-

MANAGERS OFFICE. METROPOLITAN TRUST COMPANY. FIFTH AVENUE BRANCH

sign, also glazed with silver embossed plate-glass, having a plain etched border. The simplicity of the entire screen suggests dignity and strength, excessive ornament having purposely been eliminated by the architects mainly for sanitary reasons and to simplify cleaning.

Following the private office is the paying and receiving tellers' cage, surrounded by heavy wire work and equipped with every facility to expedite service to customers.

A specially designed and handsomely appointed room for women depositors is arranged between the tellers' cages, and so located that particular attention may be devoted to their needs.

The rest of the bank screen is taken up by the loan and securities cage and three bookkeepers' wickets. An electric dumbwaiter is used for carrying small packages, papers, currency, etc., to the safe deposit department below.

A further evidence of a great saving of valuable space is the unique arrangement for storing active books, index cards, checks, etc., in special safe cabinets, absolutely fireproof, under the metal counters and bookkeepers' desks. The finish of this metal furniture is an exact match of the mahogany cabinet work which forms the inner partitions of the women's room, private conference room, and board room.

No effort was spared in making the clerks' quarters as convenient and comfortable as possible. The floor is covered with cork tile slabs, which make walking and standing easy as well as noiseless.

The artificial lighting system for the working force is the best that can be had. It is reflected through opaque glass which softens and diffuses the light the entire length of the counters and desks. The clerks' toilet and locker room is at the rear in the basement.

Another important feature is the adequate ventilating system. Fresh air is constantly drawn into all parts of the building; simultaneously, the foul air passes through ducts to the roof by the operation of a centrifugal electric fan.

Before leaving the banking floor proper, mention should be made of the

ample daylight secured from a large skylight directly over the banking screen and with the added light from the large arched opening in the facade, no artificial light is necessary. However, provision is made for general night illumination, which is indirectly reflected on the ceiling, thence evenly diffused throughout the main room, giving a soft mellow radiance that is uncommonly restful to the eye. The absence of the usual ceiling chandeliers is conspicuous.

Finally, the acoustic properties of this room are exceptionally good. This was particularly studied by the architects who realized the importance of the question in treating with a vaulted ceiling, and what it would mean to re-echo the sound of so many adding machines, typewriters, etc.

In the rear of the main room, over the bookkeepers' quarters, is a mezzanine floor where the board room is located. An idea of its attractiveness may be gained from the illustration shown on another page.

Roger P. Kavanagh
MANAGER NEW UPTOWN OFFICE OF THE METROPOLITAN TRUST COMPANY, NEW YORK

SPECIAL SAFE DEPOSIT DEPARTMENT

THE safe deposit and silver storage department in the basement can be reached by either the marble staircase at the rear of the public space or by the electric elevator. Here one enters a heavy bronze grille, and passing through a gate obtains a full view of the massive circular door of the burglar-proof vault.

This vault is of the latest construction and the protection offered to box customers is not surpassed in the city. The lining is of chrome non-drillable steel, three inches thick, surrounding all sides of the vault; and in addition, heavy reinforced concrete masonry walls enclose the lining, which in turn is entirely enveloped with electric protection. A watchman is in constant attendance during the night, who is able to see around all sides aided by reflected light. The door and vestibule is 16 inches thick and weighs 18 tons.

The facilities of this department are excellent for both men and women, as the trust company has made a special feature of it in order to cater to customers in the section of the city in which the Fifth Avenue Office is located. Individual booths and a committee room are also available, as well as toilet facilities.

A FEW HISTORICAL FACTS

THE Metropolitan Trust Company of the City of New York was chartered under the New York State banking laws in 1881 and began business on December 1 of that year in modest quarters at 41 Pine street. From the start it was known as one of the leading financial institutions of New York city and had on its board of directors many noted financiers.

SECURITY VAULT. METROPOLITAN TRUST COMPANY, FIFTH AVENUE BRANCH

The first president of the company was General Thomas Hillhouse, who had been serving as Assistant Treasurer of the United States, with offices at the New York Sub-Treasury. General Hillhouse had a notable career as a banker and state and Government official. Previous to assuming his duties at the Sub-Treasury he had served as Adjutant-General under Governor E. D. Morgan during the troublous times of the Civil War, and had a term as Comptroller of the State of New York. He had also been a member of the New York State Senate.

The first vice-president was Fred D. Tappen, former president of the Gallatin National Bank of New York city.

General Hillhouse served the company during a period of sixteen years and Mr. Tappen's service covered an even longer space of time, or until his death in 1902.

Walter J. Britton, who had been cashier in the Sub-Treasury under General Hillhouse, was the first secretary of the company.

Numbered among the original board of trustees were such well-known names as those of Collis P. Huntington of the Southern Pacific and Central Pacific Railroads; Isaac N. Phelps of Phelps, Stokes & Co.; Morris K. Jesup of Jesup, Paton & Co.; John T. Terry of E. D. Morgan & Co.; A. Gracie King of James G. King's Sons; D. O. Mills, who before he became prominent in New York banking circles had been president of the Bank of California; Joseph W. Drexel, Edward S. Sanford of the Adams Express Company; Hugh J. Jewett, president of the New York, Lake Erie and Western Railroad; Parker Handy of Handy & Cronise; Henry E. Pellew, Edwin D. Morgan, Jr., son of the War Governor of New York State; James J. Higginson of Chase & Higginson; Oliver P. Buel, who was of the first counsel to the company; Robert H. Pruyn, former Minister to Japan and president of the National Commercial Bank of Albany; Dudley Olcott, president Mechanics and Farmers Bank, Albany, N. Y.; Freeman Clarke, former Comptroller of the Currency,

Rochester, N. Y.; George A. Hardin, Justice of the New York Supreme Court, Little Falls, N. Y.; Edward B. Judson, president First National Bank of Syracuse, N. Y.; Phineas Prouty, Geneva, N. Y., and J. F. Slater, Norwich, Conn.

During its entire history the Metropolitan Trust Company has had but three presidents, General Hillhouse having been succeeded in January, 1898, by General Brayton Ives, who served thereafter until October 16, 1912, when he resigned on account of ill health, to be followed eighteen months later by the present incumbent, George C. Van Tuyl, Jr., former Superintendent of Banks of the State of New York.

The company at its formation had an authorized capital stock of $1,000,000, with authority to increase to $2,000,000. It continued to operate under the smaller capitalization, however, until January 30, 1903, when following the successful termination of a series of important negotiations, the Atlantic Trust Company, which in former years had been one of the strongest of Wall street institutions, was merged into the Metropolitan Trust Company. In order to bring about this union, the capital stock of the Metropolitan Trust Company was increased to $2,000,000, and in the merger two shares of Atlantic Trust Company stock were exchanged for one share of Metropolitan Trust Company stock.

Shortly after beginning its career on Pine street, the offices of the Metropolitan Trust Company were moved to 17 Nassau street, on the site of the present Equitable Life Assurance Society Building, and thence again were changed to a more advantageous location in the Mills Building at 35 Wall street. The banking quarters at the latter address were continued until the company went to its own building at 37-39 Wall street in 1888. The location of the offices was once again changed in 1904, to the Atlantic Mutual Insurance Company building at the corner of Wall and William streets, where they are now maintained.

PRIVATE OFFICE
METROPOLITAN TRUST COMPANY
FIFTH AVENUE BRANCH

REMARKABLE GAIN IN DEPOSITS

DEPOSITS of the Metropolitan Trust Company on March 17, 1916, aggregated $62,075,323, and on March 17, 1914, two years earlier, were $22,709,942. This growth is attributed to the methods employed by Mr. Van Tuyl and his fellow officers in the conduct of the affairs of this organization since they took charge two years ago.

Mr. Van Tuyl entered the banking business as a boy in Albany and had a thoroughly practical training in every branch of it, rising through the various grades to positions of responsibility in both the former National Exchange Bank of Albany and the Albany Trust Company. He was president of the latter institution when he was selected in May, 1911, as the head of the New York State Banking Department. During the time he was Superintendent of Banks the so-called Van Tuyl Commission was appointed by him to revise the New York State Banking Laws. The work of this commission resulted in the enactment of a banking code which has been a model for subsequent revisions

in several of the more important states in the Union. Mr. Van Tuyl's name will ever be indissolubly connected with this work of revision.

[A portrait of Mr. Van Tuyl appears as a frontispiece in this number of THE BANKERS' MAGAZINE.]

Mr. Beverly Chew, first vice-president, entered the service of the Metropolitan Trust Company on his appointment as assistant secretary April 13, 1887. His service has been continuous since then. For a period of over ten years Mr. Chew was the secretary of the company, afterward becoming successively second vice-president, and on January 21, 1914, first vice-president. Mr. Chew is one of the best-known financiers in Wall street and during his years of experience has been associated with many bankers of international reputation.

Second Vice-President Edwin F. Rorebeck, who became vice-president of the company in January, 1914, like Mr. Van Tuyl, had many years of experience in the banking field. Back in his college days in Ohio he had been associated with the First National Bank of Marietta and afterwards was for nine years in the office of the Comptroller of the Currency at Washington. On his appointment subsequently as an active National Bank Examiner, he served at various times through the South and on the Pacific slope, with headquarters in San Francisco, then in Chicago and New York city. Mr. Rorebeck was the secretary of the Van Tuyl Commission which revised the New York State banking laws.

Mr. James F. McNamara, third vice-president and trust officer, joined the staff of the Metropolitan Trust Co. on the absorption of the Atlantic Trust Co. Mr. McNamara began business life as a boy in the employ of the Atlantic Trust Co. and his experience covers a period of twenty-nine years.

Benjamin Strong, Jr., now governor of the Federal Reserve Bank of New York city, served as secretary of the Metropolitan Trust Co. from January 30, 1903, to April 13, 1904.

Under the energetic and progressive management of these officers and their associates the deposits of the Metropolitan Trust Co. increased rapidly.

For years the main office at 49 Wall street had provided ample accommodation for all business, but with the great expansion of the last two years, additional office room became necessary and large space on two other floors is now occupied by the bookkeeping department, credit, new business and publicity bureaus. As a further means of accommodating its growing list of friends and depositors, it was decided to erect the Fifth avenue office which has just been opened and which has been described in the preceding pages. This branch is in charge of Roger P. Kavanagh, a well-known former state bank examiner. Mr. Kavanagh has had years of experience in the Fifth avenue banking field and is thoroughly familiar with the requirements of this clientele.

On the present board of directors of the company are numbered many names of prominent New Yorkers, including three whose fathers were among the original trustees and incorporators. Mr. Ogden Mills succeeded his father, the late D. O. Mills; Mr. Edwin D. Morgan, son of Edwin D. Morgan, Jr., and John T. Terry, son of the late John T. Terry. The other directors of the company are: Theodore C. Camp, James G. Cannon, William Carpender, Beverly Chew, Thomas De Witt Cuyler, Henry W. De Forest, Haley Fiske, J. Horace Harding, Harold Herrick, Erskine Hewitt, Henry W. Marsh, Bradley Martin, Walter E. Maynard, Charles W. Ogden, Herbert Parsons, Harold I. Pratt, William Ross Proctor, Anton A. Raven, John W. Simpson, Joseph J. Slocum, George C. Van Tuyl, Jr., Alfred P. Walker, Horace White and William G. Willcox.

With the remarkable growth already attained, friends of the present management of this old company are confident that it will soon secure entrance into the $100,000,000 class. Mr. Van Tuyl has a most enthusiastic corps of workers and there is no mark too high for them to seek to achieve. Total resources today are well over $70,000,000.

Machinery in Banks

THE BANK BOOKKEEPING MACHINE

WHY machinery? Why the cotton-gin, the threshing machine, printing press, linotype, typewriter, addressograph, adding machine, and what not? Because machinery does the same work better and reduces cost. Our old-fashioned geography shows us pictures of the farmer threshing his grain with two pieces of wood fastened together with a leather thong, called the flail. This was the old hand method of separating the grain from the straw and the chaff, but what farmer would think of using a flail for threshing when a modern machine like the separator will do it for him better and cheaper?

Machines to-day are used in every conceivable line of business for almost every kind of work—for manufacturing, labeling, packing, grading, assorting, distributing, counting. Out in the Golden State there is a machine used for assorting, grading, distributing and counting oranges. It grades oranges and counts them better and quicker than by the old method.

Figures are not unlike oranges, in that they are assorted, graded, distributed, counted; and why shouldn't it be the most natural thing in the world for banks to use machines for the handling of figures? So it has come to pass that machines are employed by banks the same as manufacturers, to do the same work better, quicker and at a reduction in cost.

USE OF MACHINES IN BANKS

THE bank without a machine to-day is really an oddity. Typewriters, adding machines, coin machines, check protectors, have all become incidental to the handling of bank routine work. As machines weave cloth accurately and truly, so machines handle figures accurately and truly, thus doing the same work better at a reduction in expense, saving costly mistakes, and money.

With the advent of a new machine in any field of production, come changes in the routine for the betterment of the business and these changes are as surely being wrought in banks as in other branches of industry. The listing and adding of checks on an adding machine, the list to be returned to the depositor with the checks, was an innovation only a few years ago, but what banker would think to-day of returning to the old method of listing and mentally adding checks?

The balancing of pass-books is still a custom with most banks, but rapidly and surely the idea of making depositor's statements instead of balancing pass-books is taking root in the minds of bankers. When the depositor leaves his money with the bank the amount of the

deposit is entered in his pass-book and so the pass-book immediately becomes the depositor's receipt for the amount of money left on deposit.

If your grocer should come to you and ask you for your receipt for the money you paid last month so that he might balance your account for this month, would not that impress you as a peculiar transaction? Yet, virtually, that is what the bank does when it requires the depositor to leave his pass-book a few days until the bank can balance it for him.

Perhaps there is a third equation justifying the use of machines in banks, and this is service to depositors. Is it not a fact that service is really what a bank offers in return for the confidence bestowed upon it by its clients?

BANK BOOKKEEPING BY MACHINERY

SIX years ago, or thereabouts, the term "bookkeeping by machinery" was coined. At first this expression was received by business men with an incredulous smile often mingled with ridicule. How could machinery keep books?

LEDGER POSTED, DEPOSITORS' STATEMENT AND JOURNAL OF CHECKS AND DEPOSITS ALL MADE AT ONE OPERATION

"Necessity is the mother of invention," so some wise sage has told us, and never has there been an invention of a machine or system but that there was a necessity for it, either visibly or latently. There is a necessity for the depositor's statement although that necessity is not discerned to-day by all bankers, not by any means, but the time will come when it will be a part of the routine of every bank for protection and service to depositors.

Six years is a short time, and the originators of bookkeeping machinery in that short while have firmly planted the idea; so that to-day bookkeeping by machinery is not only a common expression in the commercial world but has become a verity in thousands of efficiently managed institutions.

Elliott-Fisher Company of Harrisburg, Pa., saw the necessity and invented the machine which keeps books.

So it now transpires that banks are learning of the great success of the bookkeeping machine in the commercial world and this machine is being installed in many of the most progressively managed banks of the country.

machine system that the Elliott-Fisher machine possessed a number of decided advantages, and we, therefore, decided to purchase it.

We handle about 3,000 accounts and formerly ran four Boston ledgers posted by hand, and one loose leaf inactive ledger in three sections, the inactive carrying about 1,200 accounts.

We are now handling in the Elliott-Fisher bookkeeping machine all the said inactive

AUDITOR'S JOURNAL OF CHECKS AND DEPOSITS

BOOKKEEPERS SIGNATURE F. R. James LEDGER A TO D SHEET NO. 1

OLD BALANCE	CHECKS IN DETAIL				DAY	DEPOSITS	BALANCE	DEPOSITOR	ADJUSTMENT
					OCT				
9335 04	16 50	1790 52	1100 56	600 00					
	795 00	317 50	910 50	1225 50					
	17 90	1750 00			26	3000 00	3015 64	C L ABNER	
1500 00	110 50	129 50	28 10	750 00					
	100 00				26	981 15	1365 25	R T ABRAHAM	
3000 00					26	200 00	3200 00	EMMA B ADAMS	
15789 17	1120 52	500 00	79 29	1575 00					
	7 50	30 72	351 70	210 50					
	195 00	94 82	6 90	125 00					
	477 11	83 15	790 00	15 00					
	1275 50				26	7280 00	16131 88	ADDLESON & JONES	
975 28	75 00	129 51	2 50	111 90					
	6 50				26		650 07	O D. ADOLPH	
2580 70	150 00	225 90	750 18	10 00					
	55 00	19 75	121 87	195 00					
	5 25				26	1750 00	2519 75	O W ABERTON	
22750 00	1520 17	125 50	920 00	290 17					
	19 25	1117 85	49 20	525 55					
	142 12	72 15	129 99	18 90					
	231 40	127 10	1000 00	75 00					
	1118 15	509 10	127 00	1180 00					
	81 75	50 00	2750 00	100 00					
	1000 00				26	14000 00	24590 07	C B ALLEN & CO	
2150 16	90 00	117 11	22 00	58 40					
	175 00	80 70	100 00	11 00					
	51 20	280 00			26	1000 00	2184 75	ROBT ALLEN	
293 15	27 21	3 98	1600 00	32 50	26	5000 00	3629 66	WM B ALLEN	
5270 25	300 00	65 55	49 50	100 00					
	710 00	125 00	150 00	55 50					
	1250 00				26	2571 50	5038 42	THOS ALVIN & CO	
7540 50	7 50	27 80	110 15	1250 00					
	190 50	52 00	21 00	5 25					
	75 00	109 10	205 50	100 00					
	8 50	19 40	140 90	85 40					
	1105 77	84 51	18 79	3 50					
	19 50	15 00	25 00	41 52					
	55 77	10 00	5 00		26	5552 21	7505 85	AUER BREWING CO	
60000 00	1000 00	5280 00	1290 21	875 52					
	6100 00	2750 00	275 56	1900 00					
	5540 00	295 00	1000 00	3857 19					
	700 00				26	20000 00	21861 72	AUER CONSTRUCTION CO	
[illegible]179 50	17 50	275 00	452 00	180 00					
	221 00	83 09	11 60	295 61					
	57 68	6 50	107 09	50 00					
	91 42	213 10	75 00	500 00					
	100 00				26	2500 00	3892 91	AKES & CO	
105515 75	25980 17	16240 55	14277 05	16180 91		61554 06	95961 97		TOTALS

FOR USE ON ELLIOTT-FISHER THE BOOKKEEPING MACHINE

THIS SHEET SHOWS COMPLETE DETAIL OF ALL ACCOUNTS CHANGED

What bookkeeping by machinery means to banks that have installed it, is well expressed in a letter from the County Trust Company, White Plains, New York, and it may interest readers of THE BANKERS MAGAZINE to know what this bank thinks of its machine bookkeeping.

Jan. 27, 1916

Elliott-Fisher Company,
Harrisburg, Pa.

Dear Sirs:

Replying to your letter of the 17th instant we beg to say that it seemed to us when we came to adopt a bank bookkeeping machine system that the Elliott-Fisher machine possessed a number of decided advantages, and we, therefore, decided to purchase it.

accounts except those representing unclaimed balances, and approximately 1,300 active accounts. After February 1 we will have shifted to the machine all our accounts or approximately 1,800 active in addition to the inactive accounts.

The use of the machine will enable us to dispense with the services of one bookkeeper and will release two bookkeepers for other work; that is to say, they will no longer be occupied in posting by hand and in mental computation.

One of our stenographers, after having received instructions from the Elliott-Fisher people for one or two days, is getting most excellent results from the machine and at one operation secures the following results:

Posts depositor's ledger.
Makes depositor's statement of account.
Makes debit and credit journal with names of depositors alphabetically arranged.
Ascertains depositor's balance.
Ascertains total of old balances on "touched" accounts.
Ascertains total of new balances on "touched" accounts.
Ascertains total of checks posted.
Ascertains total of deposits posted.

The checks and deposit slips are called back to debit and credit journal, and usually within ten or fifteen minutes of the completion of the "run" we have all this work completed and proved from every angle.

We previously used Boston ledgers, posted by hand, and statements made separately upon a Burroughs statement machine, but are satisfied that our present system will save us a great deal of time and result in a much lower running cost for our bookkeeping department. We also find that the cost of stationery and binders required, is much less than that of the ledgers and statements required formerly.

We might add that we consider it a very distinct advantage to be able to give the customer a statement that is an exact duplicate of his ledger account, to keep the ledger sheets always in the binder, and to have a debit and credit journal for reference that gives a complete daily record of all transactions, together with the names of the depositors.

Trusting that this information may be of advantage to you, we beg to remain,

Very truly yours,

THE COUNTY TRUST COMPANY.

By Joseph H. Mead, *Secretary*.

AN IMPORTANT FEATURE OF THE MACHINE'S WORK

PERHAPS the greatest feature for doing the work by this machine at a reduction in cost and more satisfactorily is the making of the depositor's statement, posting the ledger, and producing the debit and credit journal all at one and the same operation, and at the same time mechanically furnishing proven totals of old balances, of checks, of deposits and of new balances. These totals are furnished for checking, and through the accuracy of the machine and its automatic mechanical check, proof is secured.

Mechanically assorting, adding and subtracting these figures and distributing them to the records where they belong, accurately and quickly, results in the same work done better at a reduction in the cost; and, to go a step further, it furnishes the service of protection and security to depositors.

Another claim made by the Elliott-Fisher Company is that the bookkeeping machine is flexible in its application to all kinds of bank accounting—that it will handle other accounting work in the bank besides the bookkeeping as outlined above. For instance, it may be used for writing transit and remittance letters, writing checks and check register, draft and draft register; in fact, it may be used in numerous ways wherever writing or adding, writing and adding, or subtracting, are desirable.

Credits in the Far East

THERE are three kinds of credits known to the trade in the Far East: (1) Documentary credit, which is an arrangement whereby the seller of goods presents to his own bank a draft (to which are attached all necessary documents) covering the amount of the invoice and receives from his own banker the full amount called for, or such proportion thereof as may be agreed upon in arranging the original terms of sale. Recourse may be had upon the seller in the event the buyer fails to accept the draft when presented or to pay it when due. (2) Confirmed credit, whereunder a buyer arranges through his banker for the purchase of goods for which the buyer's bank, through the bank of the seller, guarantees payment. In transactions of this nature there is no recourse on the seller, the sale being made at the risk of the buyer's bank. (3) Confirmed banker's credit, whereby the buyer's bank arranges with the seller's bank for the actual definite purchase of a draft covering goods up to a fixed amount at the port of departure. This sale is irrevocable and without recourse.

International Banking and Finance

ANNOUNCEMENT

WITH this issue of *The Bankers Magazine* the department conducted for many years under the title "Foreign Banking and Finance" has been changed to "International Banking and Finance." The features heretofore embodied in the department will be maintained and others added. Particular attention will be paid to those developments in the international banking field in which New York is playing a constantly growing part.

European

LONDON'S POSITION AS A FREE GOLD CENTER

IN a comprehensive article appearing in the February number of the London "Bankers Magazine," Hubert V. Burrell discusses the probable effects of the war on London's position as a free gold market. Mr. Burrell's presentation of the matter is most interesting, although open to the objection that it is based upon the assumption of Germany's financial and economic exhaustion at the end of the war—an assumption whose correctness time will determine. Mr. Burrell takes no stock, however, in the proposal that Germany is to be ostracized from all commercial and financial transactions with the rest of the world or have imposed upon her a colossal indemnity. He writes from the standpoint—obviously a true one—that Germany and many of the other nations will strongly endeavor, once the war ends, to rebuild their industries and to strengthen their credit and currency by attracting gold. This international struggle for gold involves many interesting problems, chief among them being the effect upon London's position as the world's financial center. Here is what Mr. Burrell has to say on that point:

"Will London be able to maintain her position as a free gold market? The answer to this question must of necessity be largely a matter of speculation. It is impossible to dogmatize one way or the other. Time alone can prove or disprove our theories. None the less, one can consider the various factors which must enter into the question, and thus deduce what may be termed some of the reasoned probabilities of the position, subject, of course, to the proviso that such reasoned probabilities will prove true in so far and in proportion as the factors on which they are based are actually realized. What, then, are the factors both for and against the continuance of London as a free gold market? Consider the negative factors first. The demand likely to arise on the part of Germany is bound almost certainly to be accompanied by more or less of a gold famine in all the other belligerent countries, that is to say, in practically the whole of Europe. Not only Germany, but all the other great powers engaged in the war are piling up liabilities of unheard-of magnitude, and at its conclusion each and all will be under the necessity of using every means to attract and retain gold as much as possible in order to strengthen and improve their financial positions. Hence Europe will probably be faced with a gold war in a widespread and acute form, such a war as we have often seen in the past, but to a much more aggravated degree—a situation which has well been compared to that of three men struggling to cover themselves with a blanket only big enough for two. Even if London is able under these conditions

to refrain from imposing restrictions on the export of gold it will only be at the cost of a high and constantly changing discount rate, which damages trade and will hinder the re-establishment of normal conditions. And if the constant foreign demands likely to arise, coupled with our own internal requirements, should, as is possible, bring about a series of financial crises, or impose, more or less permanently, a penalizing discount rate, it may well be that this country will be forced to abandon her position as a free market, and to take steps similar to those adopted in other centers to protect her gold reserve. It seems at least safe to assume that the foreign drain of gold which this country is likely to have to meet will probably be greater in the future than in the past, both because the demand is likely to be more insistent to meet the huge paper liabilities created during the war and because the other countries are likely to take more stringent measures even than formerly for protecting their reserves of gold. London, as the one free market, will have to bear the brunt, and it may well be that she will be forced in self-defence to abandon her position.

"On the positive side there are one or two factors to be considered. In the first place, Great Britain will probably be the strongest, financially, of all the belligerent powers at the peace. She will have large claims on other countries for loans, etc., and her liabilities, although huge, will be less overwhelming proportionately to her resources than those of the other powers. Her financial position will consequently be stronger than that of any other country, and this will better enable her to bear the strain which may fall upon her. So, too, with the internal position. By internal position I mean that the banks and financial houses, in fact the trading community generally, will be in a better condition here than anywhere else to meet future contingencies, whatever they may be and however they may arise. After all, credit, which is likely to be sounder here than anywhere else, especially at first, is a big factor in ekeing out and supporting a gold reserve. Our banks, traders, etc., not having had the dead-weight loss of destruction of property to contend with, as in the case of those countries which have suffered invasion, will be in a much stronger position than similar institutions in foreign countries. Nor has the business of the commercial community been interfered with to anything like the same extent during the war as has been the case abroad. Taking all this into consideration, it would seem that the superior internal position of this country ought to prove a strong asset in assisting us to maintain our position. Lastly, there is the argument of necessity. As will presently be seen, the effects likely to follow from an abandonment of our position as a free market will probably be so vital and so far-reaching as to cause us to make every effort to maintain it so long as we possibly can. Circumstances may prove too strong, and the test will doubtless be severe, but none the less there are, as has been indicated, certain factors in the situation likely to be of considerable assistance to us in maintaining our position, and there is little doubt that every effort will, and indeed ought to, be made to maintain it if it can possibly be done.

"Should London ever cease to be a free gold market, what are the effects likely to follow from such a course of action? Nothing less, it would seem, than the putting in jeopardy of her position as financial center of the world. This position was largely due to this very factor, and with its cessation one of the great reasons for our supremacy would have passed away. No doubt there were, and will be, other factors in the situation, but this was one of the most potent, and with its removal might come many unlooked-for ill effects. The commercial credit on London would no longer occupy the prominent place among bankers and merchants everywhere that it does today. The pound sterling would no longer be the most important unit of exchange. London would have lost its importance as a clearing-house for international transactions and would have become one of the centers like Paris, or Berlin, or Pe-

trograd, not the *one* center, the most important of all. These are a few of the results which might easily follow, and I do not think that I am overstating the case in saying that they would follow almost as a matter of course. Surely this argument, the argument of necessity as one may call it, is the strongest that can possibly be urged in favor of putting forth every effort to maintain our position.

"It may, perhaps, be urged that too much stress has been laid upon the importance of gold in international transactions. It may be argued that credit is a far more important factor in all trade operations—in fact, the essential factor under modern conditions. This is to a certain extent true. For many years previous to the war the whole system and structure of international commerce and finance was built upon a basis of credit rather than of gold. In this country especially the question of gold reserves attracted comparatively little attention until quite recent years. Of late, perhaps, there has been a tendency to go to the other extreme—a course as little to be commended as the former apathy. The accumulation of gold reserves must not be turned into a fetish at the expense of other considerations. England in the past has consistently worked with a smaller gold reserve than any of the other great European countries, yet English trade and English credit has been as sound and healthy as that of any other country. This is perhaps largely due to the soundness of English banking methods. But whatever the reason, the fact remains, and it is indisputable. None the less it must be borne in mind that after the war conditions must for a long time be largely abnormal. Credit will have been rudely shaken everywhere, and a certain amount of suspicion and mistrust is almost bound to be rife between nations. A crisis such as that through which we are passing is bound to leave its mark. It seems reasonable to suppose, therefore, that for many years at least credit will not play quite the same part in international trade and finance as it did in pre-war days. And if credit does not play so great a part, it follows that gold, the ultimate medium of all international exchange, must play a greater. For these reasons it would seem that the need for adequate, not necessarily excessive, gold reserves is likely to press upon all countries desiring to play their part in future commercial developments, and that this need will probably be more insistent and more urgent in the future than it has been in the past.

"Lastly, turn for a moment from Europe to the United States of America. No one who has studied the utterances of the leading financiers of America during the past year can have failed to note that they at least are not blind to the dangers which are likely to threaten London's position as a free gold market and a world center, nor to the opportunity which will consequently open itself to New York to rival London for this position. It may be interesting, therefore, briefly to consider what is the position of New York in regard to this question. At the present time the United States is the only Great Power of the world not involved in the war. Most of the other powers are steadily engaged in piling up indebtedness for food, for munitions, and war equipment generally. This indebtedness is steadily cancelling the previous indebtedness of the United States to other countries, and if the war lasts long enough, and the process continues, as it presumably must do, the United

States will change its position from a large debtor to a large creditor country. What does this mean? It means that the United States will be placed in a position to make, if it so desires, a constantly effective demand for gold from other countries, and that the other countries will not be able to demand gold from the United States, or to nothing like the same extent. There is another factor in the position. The United States is a country of great natural resources. In the past her indebtedness to other countries has been mainly due to her need to obtain capital to develop these resources. These are now to a large extent developed, and the demand for capital is consquently lessened. Granting, therefore, that the war enables her to wipe out much of her former indebtedness to other countries, and that her demand for fresh capital is less in the future than it has been in the past, it follows as a matter of course that the balance of indebtedness will tend to incline permanently in her favor. In other words, New York will be constantly in a position to demand gold from the other centers, and the other centers will experience increasing difficulty in obtaining gold from New York. This being the case, is there any valid reason to doubt that American bankers and merchants will not be awake to the opportunity presenting itself for New York to establish herself as a free gold market, and thus to supplant London as the commercial center of the world, particularly if, as has been seen to be possible, London is at the same time under the necessity of adopting some sort of protection for her gold. If that happens, three results may be expected to follow sooner or later. The commercial credit on New York will take the place of the commercial credit on London. The dollar will take the place of the pound sterling as the standard of international exchange value. New York will take the place of London as the clearing-house of the world's transactions. There are, of course, one or two minor factors likely to militate against this development. One is distance. New York is not so convenient as London as a gold center, owing to its distance from the other great centers. This entails loss of interest and risks of transmission which, in the case of large shipments of bullion, are a considerable item. It would also seem that if New York is really to take London's place, it will be necessary to establish some sort of central institution corresponding to the Bank of England, the Bank of France, or the Reichsbank, to regulate her gold position. The present system of regional reserve banks, as they are called, would hardly work. There would not be sufficient unity of control to ensure prompt and efficient action at all times—a vital necessity in dealing with a gold reserve. These, however, are minor matters. It is hardly likely if events shape themselves as seems possible, and New York has the opportunity of supplanting London as a free gold market, that the American bankers will fail to find some practical and effective manner of meeting and overcoming these objections.

"Such are the main outlines of a problem which, it would seem, must almost certainly present itself sooner or later after the war, and upon which many vital and far-reaching consequences to the world at large no less than to this country must depend. It envisages in its ultimate scope no less a possibility than the shifting of the financial center of gravity from London to New York. The magnitude of the consequences likely to follow from this shifting, if it should take place, is indisputable. Perhaps it may be thought that the problem depends too largely upon the fulfilment of certain conditions at present undetermined to make it of any intense practical interest —conditions which may never be fulfilled in the manner indicated. But can it be reasonably argued that these conditions are impossible or even improbable of fulfilment? The evidence tends rather the other way. Does anyone dare to suppose that Europe, at the conclusion of peace, will not be faced with very grave and very acute financial problems? Is it straining the possibili-

ties too far to presume that each and all of the belligerent powers will be under the most urgent necessity of using all and every means to attract gold for re-establishment of their finances? Is a gold war between the leading centers of the world so very improbable, and if it comes is London's position likely to differ very widely from that which has been sketched? The answer to all these questions irresistibly points to the conclusion that some such problem as has been postulated is almost certain to arise, although the conditions governing it may vary in greater or less degree from those which have been laid down, according as future events may shape themselves. Here then is the problem. And for this country what is the remedy, so far, that is, as can bejudged? To determine to maintain, no matter how great the effort required, the freedom of our gold market, if it be in the least degree possible to do so. And to this end no step must be left untried, no stone unturned. It can only be achieved by the banking and commercial communities bending all their energies, both as individual units and as a corporate body, to its accomplishment. There must be close, the very closest, co-operation between the other great banks of the country and the Bank of England, between the public and the banks, for the purpose of maintaining and strengthening our gold reserves. The whole question must be thoroughly gone into and some more definite policy arrived at as between the Bank of England and the other banks in this vital matter. The policy of drift, which has endured so long, must be brought to an end. The present system, essentially sound in principle, produces too much friction and too much waste of energy. The burden of maintaining the gold reserve must no longer be left solely to the bank of England as at present, but must be more evenly distributed and more widely supported. Preparations must be made to meet a danger which is almost certain to arise There is no cause for pessimism, no need for despair. Forewarned is forearmed, and the warning comes with no uncertain voice. With proper organization there is no reason why our position as the center of the financial world should not be maintained. But the fight will be harder and sterner than it has yet been. It is for the banks of the country to see that we do not fail, since the consequences of such failure are likely to be ruthless and inexorable."

INFORMATION ABOUT RUSSIA

(Compiled and Published by the Guaranty Trust Company, New York)

THE total area of Russia, both in Europe and Asia, is 8,505,957 square miles, or one-seventh of the total area of the globe, and about three times the area of the United States, excluding Alaska and our outlying possessions.

The population of Russia is approximately 170,000,000.

The climate varies from the frost-bound wastes of Northern Siberia to the sunny cotton fields of Transcaucasia.

The total length of the rivers, lakes and canals of the Russian empire is 239,161 miles, of which 178,580 miles are navigable.

The following indicates the increase in receipts in ordinary state revenue in Russia:

	Roubles
1867	415,000,000
1897	1,416,000,000
1903	2,418,000,000
1912	3,105,917,000
1913	3,417,000,000

Deposits in Russian banks and state savings banks increased almost steadily from 2,500,000,000 roubles in 1904 to almost 6,000,000,000 roubles in 1913.

In the same period the number of state savings banks increased from 6,417 to 8,160 and the number of depositors increased from 4,854,000 to 8,597,000.

A comparative table of the production of four cereals in the United States and Russia in the year 1913 follows:

	Russia Bushels	United States Bushels
Wheat	955,980,000	763,380,000
Oats	1,222,875,000	1,121,768,000
Barley	562,800,000	178,189,000
Rye	999,514,285	41,381,000

ATTITUDE OF THE RUSSIAN GOVERNMENT TOWARDS THE DEVELOPMENT OF EDUCATION AND INDUSTRY AS EVIDENCED BY APPROPRIATIONS

Appropriations for	1903 Roubles	1913 Roubles	Increase Roubles	Percent of Increase
Government railroads	416,300,000	591,700,000	175,400,000	42
Department of trade industry	40,200,000	60,900,000	20,700,000	51
Department of transportation, exclusive of Government railroads	32,900,000	52,800,000	19,900,000	61
Department for posts and telegraphs	39,100,000	80,000,000	40,900,000	105
Department for National Education	39,400,000	142,900,000	103,500,000	263
Department of Agriculture	31,500,000	135,600,000	104,100,000	330

TO PROMOTE AMERICAN-RUSSIAN TRADE

E. C. PORTER, who has been the commercial agent in charge of the New York office of the Bureau of Foreign and Domestic Commerce for the last two years, has resigned to accept the position as executive secretary of the recently organized American Russian Chamber of Commerce in New York.

The American Russian Chamber of Commerce has been organized to encourage and develop closer trade relationship between Russia and the United States. It has been created through the support of some of the most influential business interests in this country, its board of directors including such men as S. N. McRoberts, vice-president of the National City Bank; Charles H. Sabin, president of the Guaranty Trust Company; Darwin P. Kingsley, president of the New York Life Insurance Company; H. B. Harris of Harris, Forbes & Co., and a number of other well-known and representative business men.

The headquarters of the newly organized American Russian Chamber of Commerce will be at 60 Broadway, New York.

NEW FOREIGN EXCHANGE RULES IN PETROGRAD

THE Russian Government has undertaken the regulation of the sale and purchase of foreign exchange in Petrograd. The new regulations provide:

First, that no bank can sell exchange for use in paying abroad for any of the following goods: Cotton, lathes, leather, machinery, metals, rubber, sacks or bags, tea, wool, or military equipment. All exchange to pay for any of the above goods must be had through the Special Credit Chancellery of the Ministry of Finance, Foreign Division.

Second, that if the applicant to the bank for exchange does not desire it to pay for any of the above goods, and his need amounts to more than 2,000 rubles ($1,030 at the normal exchange rate of

$0.515 to the ruble), he must give the bank full particulars regarding the transaction in settlement of which he desires to remit abroad.

About noon every day each bank sends a statement of the total amount of its needs, together with the statement of each applicant regarding his transaction, to a central committee of Ministry of Finance. The banks must also send a statement of the offers of exchange that have been made to them by the foreign correspondents. Those demands of individuals which the committee deems to be purely speculative or otherwise undesirable are refused and the banks are forbidden to sell exchange to cover those transactions.

Previously each bank's offers from abroad were its own to handle as it saw fit. This is no longer possible as one bank's surplus of offer from abroad over its own needs is put into a general pool from which the committee supplies the needs of other banks whose offers may not suffice to cover all needs. After having arranged so that only legitimate needs may be satisfied, and that all legitimate needs may be satisfied, the committee fixes the rate at which the banks must fill the demands for foreign exchange.

Asiatic

INDUSTRIAL BANK OF JAPAN, LIMITED

THE Industrial Bank of Japan, Limited, held its half-yearly ordinary general meeting at the head office, Tokyo, on February 5, 1916. Tetsujiro Shidachi, chairman of the board, submitted the following report to the shareholders:

"During the period under review, the unfavorable condition of the money market, which was prevalent during the last term, became still more intensified. The bankers and financial houses had in their hands large amounts of money, which could not be employed, and consequently money was very cheap. Although the rate of interest on deposit money was lowered and measures were taken by the conference of bankers to keep up discount rate, the result of the operation in the half year was very unsatisfactory to bankers and financial houses; considerable decrease in earnings being noticeable everywhere. This bank was unfortunately no exception to the general rule. Under these circumstances, we considered it advisable to lower the rate of the dividend, which was declared at 5.5 per cent. per annum —one per cent. lower than that of last term.

"The net profits for the period, including yen 76,700 balance brought forward from last account and after making necessary payments and deductions, amount to yen 621,673. Out of these profits, yen 49,750 was transferred to

the reserve against losses, and yen 12,450 to the dividend equalization, reserve. After making these transfers, the president recommends that yen 437,500 be paid as a first dividend at the rate of five per cent. per annum; and that out of yen 121,973 now available, yen 20,000 be appropriated for the remuneration of the officers, and yen 43,750 be paid as a second dividend at the rate of 0.5 per cent. per annum. The balance yen 58,223 will be carried forward."

BANK OF JAPAN

AT the semi-annual meeting of shareholders of the Bank of Japan, held at the head office in Tokyo, February 19, the governor of the bank, Viscount Yataro Mishima, in his address presented a review of the economic conditions of Japan since the outbreak of the war. While the first effects of this great event were bad, especially injuring the foreign trade, there has been a gradual recovery, so that for last year exports aggregated 708,000,000 yen and imports 532,000,000 yen, a total of 1,240,000,000 yen, and an excess of exports amounting to 175,000,000 yen—a result unprecedented in the history of the country's trade.

The conspicuous prosperity that marked the close of the year—a prosperity that characterized every quarter of commercial activity—gave people no little relief. The effect on the issue of bank notes was that the amount of the issue, whose highest mark at the close of each preceding month had been from 300 to 340 million yen, rose at a bound at the end of the year to over 430 millions.

African

STANDARD BANK OF SOUTH AFRICA DIVIDEND

W. H. MACINTYRE, New York agent of the Standard Bank of South Africa, Ltd., has received the following cable from the head office of the bank in London:

"The directors have resolved, subject to audit, to recommend to the shareholders at the meeting on April 26 next a dividend for last half year at the rate of fourteen per cent. per annum, less income tax; to appropriate £71,000 towards writing down investments, including war loan, to prices ruling December 31 last; to appropriate £15,000 towards writing down bank premises account, and a further £20,000 towards the bank's pension fund. There will be carried forward to the next accounts a balance of net profit, amounting to £87,000."

Latin America

BANK OF GUATEMALA

EARNINGS of this bank for the first half of 1915, as reported to the general meeting of shareholders on January 1, were $2,104,328.40. After paying an ordinary dividend of $300 per share, an extra dividend of $100 per share, and making other provisions, the sum of $372,852.28 was added to the reserve and $500,000 to the contingency fund.

NEW ARGENTINE LOAN

THE Argentine Government has arranged with the Guaranty Trust Company of New York for a loan of $15,000,000 for one year. It is to be in the form of a one-year discount rate and will be offered for public subscription.

The funds derived from the sale of these notes are for general purposes of the Argentine Government. It is stated that as it is no longer possible for that Government to obtain funds in Europe it is now looking to the United States for funds to meet its ordinary requirements. The Argentine Government also has several maturities and funds now being obtained in the United States to care for these obligations together with

other requirements of that Government.

Some time ago the Argentine Government obtained $18,500,000 from a group of New York bankers and since the war began the total borrowings in New York have been $79,500,000.

Mexican

BANCO DE SONORA MAY REOPEN

THE Sonora Bank and Trust Company of Nogales, Arizona, which is closely affiliated with the well-known Mexican banking institution, the Banco de Sonora, has received telegraphic advice that the Mexican Government Banking Commission of Mexico City has approved the balance sheet of the Banco de Sonora, declaring this institution to be within the legal requirements of the Mexican banking laws.

The Banco de Sonora is consequently at liberty at any time to reopen its offices and resume banking operations in Mexico, under its original Federal Government concession. This news will be welcomed by the many friends and patrons of the old Banco de Sonora, which institution has always been a great factor in the development of business throughout Sonora, Sinaloa and Lower California, with consequent beneficial results to Arizona.

Cuba

NATIONAL BANK OF CUBA

THE fifteenth annual report of the National Bank of Cuba was presented by President W. A. Merchant at the shareholders' annual meeting in Havana on February 6. This report was as follows:

Due to the high price of sugar realized for the last crop, the year 1915 was one of the most prosperous since the establishment of the republic. Merchants, manufacturers and planters began the year with a smaller indebtedness than at the beginning of 1914 and although the sugar crop of 1914-1915, amounting to 2,592,667 tons, was about 4,000 tons smaller than the crop of the previous year, the results obtained in 1915 yielded many millions of dollars in excess of 1914. The average price of sugar for the year 1914 was 2.4677 cents U. S. currency per pound, while in 1915 the average price was 3.2246 cents. The crop would have been much larger but for the abnormal rains which prevailed during the months of December, January and February, due to which the mills were not able to grind all the cane planted, and for the same reason the yield of sugar from the cane was lower than the previous year.

The large amount of cane planted during the second half of 1914 and the first half of 1915 will be ground during the present harvest, and the esti-

mate of production for 1915-1916 is 3,183,628 tons. During the past year ten new sugar mills were built in the island, all of which will grind the present season, and construction has begun on four others which expect to grind in the crop of 1916-1917.

Weather conditions thus far during the grinding season have been very favorable and the yield of sugar obtained has been proportionately greater than during the previous crop.

Prices thus far realized have been higher than last year, and it is confidently expected that the average price for this year's crop will be better than last. Contributing factors to a better price are, the decreased European production of over 2,000,000 tons as compared with the previous year, and the organization of the Cuba Cane Sugar Corporation, an American company with a capital of $50,000,000, which has purchased a number of the most important sugar mills of the island, whose product will be sold gradually according to the market requirements, and not forced upon the market, in order to meet urgent financial necessities as in previous years.

Some improvement can be noted in the tobacco situation, but the outlook for this staple is not very encouraging. Indications point to a considerably reduced production this year, due largely to unfavorable returns during the past two years, resulting in decreased plantings and the substitution in several districts of other crops, such as sugar cane and vegetables, for tobacco. The discovery of valuable copper deposits in the province of Pinar del Rio, which is the principal tobacco district of Cuba, is slowly converting that province into a mining district.

The last tobacco crop was of uniformly poor quality, for which there is ordinarily little demand. This was offset to a great extent by the very small crop of 1915, which is estimated to have been about 345,000 bales, or something over 300,000 less than the previous year. The export business of leaf tobacco as well as of cigars, was better in 1915 than was expected, the exports of the former showing an increase of about 26,000 bales over those of 1914. The Island of Cuba consumes a much greater number of Havana cigars than all other nations combined, as is shown by the following figures:

Exports of cigars, 1915....121,500,775
Consumption in Cuba.....230,216,775

In cigarettes exports are only about seven per cent. of the domestic consumption. Exports of leaf and manufactured tobacco in the year 1915 were valued at about $24,000,000, while the value of manufactured tobacco consumed in Cuba in the same year is placed at about $16,000,000.

The 1916 crop will, in all probability, be a short one and very variable in quality. The first cuttings have been of good quality but the later cuttings will suffer heavily in quantity and quality owing to the very severe drought which has prevailed during the past two months. It is estimated that the "Vuelta Abajo" crop will amount to not more than sixty per cent. of the normal crop, while the tobacco in the province of Havana, known as "Partido" tobacco, owing to irrigation, is turning out very good, but the quantity will be about seventy-five per cent. of normal. Owing to lack of rain it is believed that the tobacco crop of other provinces will also be short, and probably below normal quality.

Deposits on December 31, 1915, were $36,145,406.57, as against $23,713,573.06 on the same date of the previous year, representing an increase of $12,431,833.51, or 53.42 per cent.

The number of individual deposit accounts on December 31, 1915, was 53,077, as compared with 45,269 the previous year, being an increase in number of 7,808 accounts, equal to 17.25 per cent.

Deposits in the savings department on the last of December, 1915, amounted to $8,582,769.88, as against $5,795,932.05 on the same date of the previous year, being an increase of $2,786,837.83 or 48.08 per cent. The number of accounts was 24,836, as against 18,851 on the same date of the previous year, or an increase of 31.75 per cent.

Amounts handled by the collection department in 1915 aggregated $327,000,000, as compared with $233,000,000 in the previous year, representing an increase of $94,000,000, or 40.34 per cent.

The turnover in the exchange department during the past year amounted to $371,000,000, as against $303,128,000 in the previous year, or an increase of $67,872,000, equal to 22.39 per cent.

The cash movement at the head office for the year 1915 amounted to $2,146,000,000, against $1,576,114,000, being an increase of $569,886,000, or 36.16 per cent.

Loans on December 31, 1915, were $22,724,471.53, as compared with $18,482,260.65 on the same date of the previous year, representing an increase in amount of $4,242,210.88, equal to 22.95 per cent. The number of loans on the last day of 1915 was 5,111, as against 4,885 in 1914, being an increase in number of 226 or 4.63 per cent.

The regular eight per cent. dividend for the year was paid and the surplus increased $500,000, making the total surplus $2,000,000 and leaving $548,270.69 in undivided profits, prior to payment of the semi-annual dividend, and after having made ample provision for bad and doubtful accounts.

The contract with the government for the coinage of Cuban money is being executed by the bank at the United States Government Mint at Philadelphia.

By presidential decree the demonetization of Spanish and French coin was ordered the latter part of 1915, to take effect on June 1, 1916, and the value of Spanish and French gold pieces, effective on December 1, 1915, was fixed at their intrinsic value, the Government agreeing to repay in Cuban gold coin, at the ratio of $4.82 for each Spanish 25 peseta piece and $3.86 for each French 20 franc piece.

Under separate contract with the bank, the recoinage of Spanish and French gold referred to was awarded to this bank and is now in course of execution.

It is reasonable to presume that this will be the most prosperous year in the history of Cuba, although it is not believed that the profits of the bank will be as large as in 1915, when they were much greater than in any year since the bank was established. These results were obtained by largely increased deposits and foreign exchange and conversion operations. These latter will be greatly reduced during the present year owing to the unification of the money current in the Republic. The volume of business of the bank in 1916 will probably be considerably larger than during the previous year, but due to the highly prosperous condition of the country, interest rates will probably rule lower.

Greater progress was made in perfecting the organization of the bank during 1915 than in any previous year of its history. This fact is demon-

strated by the following figures: The total number of operations of the bank in 1914 aggregated 5,874,747, while in 1915 there were 7,386,503, representing an increase of 27.73 per cent., whereas the increase in the number of officers and employees amounted to 5.26 per cent. and the increase in the annual pay-roll of the institution was only 3.72 per cent.

No new branches were opened during the past year. A new bank building of the standard type was erected at Camagüey in 1915, and another building was purchased and remodeled at Jovellanos.

The president takes pleasure in expressing his appreciation for the faithful and efficient manner in which the officers and employees have discharged their duties during the past year and feels fully warranted in stating that, taken as a whole, the staff is superior to what it has been at any time in the history of the bank.

BANCO NACIONAL DE CUBA

(National Bank of Cuba)

General Balance Sheet, December 31, 1915

(United States Currency)

ASSETS

Cash	$6,511,945.92	
Gold in transit to mint	2,197,334.35	
Coinage (national currency)	783,471.50	
Due from banks and bankers	4,668,539.96	
Remittances in transit	2,764,975.40	$16,926,267.13
Bonds and Stocks:		
Government bonds	$2,521,011.97	
City of Havana bonds	668,969.42	
Other bonds	572,129.31	
Stocks	281.82	3,762,392.52
Loans, discounts, time bills, etc		22,724,471.53
Bank buildings and real estate		1,507,070.36
Sundry accounts		170,081.68
Securities on deposit		4,615,427.40
Total		$49,705,710.62

LIABILITIES

Capital	$5,000,000.00	
Surplus	2,000,000.00	
*Undivided profits	548,270.69	$7,548,270.69
Deposits		36,145,406.57
Due to banks and bankers		320,405.96
Local banks and bankers, for gold shipped to mint		1,076,200.00
Deposits (securities)		4,615,427.40
Total		$49,705,710.62

*Deduct $200,000—four per cent. semi-annual.
Dividend payable January 3, 1916.

Banking and Financial Notes

EASTERN STATES

New York City

—The transfer of the fifteen Connecticut national banks from the first to the second district will increase the paid up capital of the Federal Reserve Bank of New York by approximately $210,000, and the reserve deposits by about $6,800,000.

With the addition of the fifteen institutions the membership of the New York district will consist of 628 banks, there being at present 482 banks located in the State of New York and 131 situated in the State of New Jersey. After the transfer of capital and deposits is made from the Boston reserve bank, the paid up capital of the New York reserve bank will amount to about $11,300,000 and the aggregate deposits, including Government funds, will be in excess of $200,000,000, 85 per cent. of which consists of gold coin and gold certificates.

—Total resources of the Chemical National Bank on March 7 were close to $50,000,000, the exact figures being $49,258,536.85. This shows a substantial rate of gain compared with other recent statements. It has never been the ambition of the Chemical to make a large aggregate showing, but always to keep strong and allow growth to take place with the natural increase of business and the equipment of the bank to care for such increase. The wisdom of this policy has been justified as the present figures show. Deposits on the date named were $37,780,430.21.

—The Atlantic National Bank in its official statement as of March 7 shows: Capital, $1,000,000; surplus and profits, $773,836.05; deposits, $13,576,550.14; total resources, $15,845,514.

This bank was established in 1829, and was nationalized in 1865. It is "a commercial bank in a commercial center," and under the presidency of Mr. Herman D. Kountze is increasing both its business and prestige.

—The Harriman National Bank celebrated the fifth anniversary of its organization as a national institution on March 21, with deposits in excess of $30,200,000. It is interesting to observe by this significant index of bank deposits the growing wealth and impor-

W. C. Edwards
VICE-PRESIDENT GUARANTY TRUST COMPANY
NEW YORK

E. C. Hebbard
VICE-PRESIDENT GUARANTY TRUST COMPANY
NEW YORK

tance of the Fifth avenue section as a commercial and financial center. It is authoritatively estimated that the total bank deposits of institutions located on Fifth avenue, from Thirty-fourth street to Central Park, aggregate in excess of $160,000,000.

—The Guaranty Trust Co. has elected William C. Edwards and Edgar C. Hebbard vice-presidents of the company. Mr. Edwards formerly was treasurer and Mr. Hebbard was secretary. Both men have been with the company since 1892.

William P. Conway, assistant treasurer, was elected treasurer to succeed Mr. Edwards, and N. Devereaux Putnam, assistant secretary, succeeds Mr. Hebbard.

—Redmond & Co. have reprinted in pamphlet form an article entitled "Buying Bonds as Business Insurance," which originally appeared in "The Independent." With it are submitted a list of bonds suitable for the reserve fund of a business house.

—The United States Mortgage & Trust Co. have just issued an attractive booklet entitled "Municipal and

W. P. Conway
TREASURER GUARANTY TRUST COMPANY
NEW YORK

N. D. Putnam, Jr.
SECRETARY GUARANTY TRUST COMPANY
NEW YORK

Corporation Bonds—Their Preparation and Certification." This company was the first to formulate a plan for the preparation and certification of municipal and corporation bonds, having established a department for this purpose in 1896.

—The Guaranty Trust Co. of New York has issued a pamphlet entitled "Greater Prosperity Through Greater Foreign Trade," which outlines the possibilities and facilities offered to exporters and importers by the foreign trade service of the company. Copies of this pamphlet may be had upon application to the department of publications of the Guaranty Trust Co.

—The board of directors of the Guaranty Trust Co. of New York on March 1 declared a dividend of four per cent. and an extra dividend of one per cent. on the capital stock for the quarter ending March 31, 1916, payable at the close of business on that date to stockholders of record March 23.

This is the initial dividend declared by the company since the capital stock was increased from $10,000,000 to $20,000,000 on January 1.

—Announcement has been made by the Federal Reserve Board that C. C. Robinson, of the Irving National Bank of New York, has been selected to go to the Philippines to assist Dr. H. Parker Willis, secretary of the board, in organizing the Insular Bank of the islands.

—Charles W. Hill, who for twenty-one years has been associated with the Guaranty Trust Co. of New York in various capacities, and more recently with the bond and securities departments of that institution, has resigned to engage in a general investment business in bonds, investment securities and bank and trust company stocks.

Mr. Hill is a director of the Consolidated Arizona Smelting Co., the Boyce Fuel Economizer Co., and a member of the Lotus Club, Bankers

Club, Underwriters Club, Southern Society in New York, and Tennessee Society in New York.

—An important expansion of the New York office of Henry L. Doherty & Co., at 60 Wall street, is planned. The entire ground floor of the building, extending from Wall to Pine streets, has been acquired, and will be occupied by the bond and transfer departments, and the banking room of this concern. The ground floor, formerly occupied by the Wall street branch of the postoffice, offers great possibilities in the way of arrangement and decoration, and plans have been prepared by Hoggson Brothers to make it one of the most complete and beautiful rooms of the kind in New York City.

—New York Chapter, American Institute of Banking, is announcing a course of six lectures by Fred W. Ellsworth, publicity manager of the Guaranty Trust Co., New York, on "How to Build the Business of Your Bank."

—Albert Breton, formerly vice-president of the Canal Bank & Trust Co., of New Orleans, who recently became associated with the Guaranty Trust Co. of New York as special foreign representative, was on March 6, 1916, elected a vice-president of that company.

Philadelphia

—Philadelphia Chapter, A. I. B., has opened its new and permanent home in the Penn Mutual Life building, thus realizing a hope that has been in the minds of its members for several years. With a large library, board, committee and class rooms completely and attractively equipped, Philadelphia Chapter is the possessor of a plant which will make the study of banking and its allied subjects not only a profitable but a pleasurable occupation.

In the securing of permanent quarters, the Chapter officials had the active co-operation of Charles S. Calwell, president of the Corn Exchange National Bank; Joseph Wayne, Jr., president of the Girard National Bank, and Thomas Gates, president of the Philadelphia Trust Co. The officers of the Chapter were greatly surprised and gratified when the bankers announced that they would guarantee the total rental of the new quarters for the next three years. This was later followed by an appropriation of $750 by Group 1, Pennsylvania Bankers Association, to be used in equipping the Chapter library. William A. Law, president of the First National Bank, presented to the new library a splendid edition of the Encyclopedia Britannica.

—The merger of the National Bank of the Northern Liberties of Philadelphia with the Bank of North America

has been ratified by the stockholders of the former institution. The stockholders of the Bank of North America have authorized an amendment to the bank's by-laws which allows an increase in the number of directors from twelve to not more than twenty-four. This action was taken in order to make provision for the directors of the National Bank of the Northern Liberties. The stockholders of the latter institution will receive a payment of $295 a share for their holdings in accordance with the terms of the merger.

At a meeting of the directors of the Bank of North America S. D. Jordon, heretofore cashier, was elected a vice-president. E. S. Kromer and C. A. McIlhenny, who were respectively cashier and assistant cashier of the National Bank of the Northern Liberties, were elected respectively cashier and assistant cashier of the Bank of North America.

Buffalo

—William L. Koester, cashier of the German-American Bank of Buffalo, has announced that the great increase of the business of this institution has necessitated the erection of a new building at 420 Main street, to be used in connection with the present structure. The erection of the additional quarters will begin May 1.

—The Bankers Trust Co. of Buffalo has opened a branch office to be known as the Cold Spring Branch located at Main and Utica streets.

—Eugene Lamb Richards, state superintendent of banks, was the guest of honor at a luncheon given last month at the Buffalo Club to a number of the state bankers of Buffalo by Franklin D. Locke, president of the Fidelity Trust Co., and Elliott C. McDougal, president of the Bank of Buffalo.

Superintendent Richards urged the formation of an association of state banks of discount to co-operate with the trust companies' association and the savings bank association, each of these three associations to appoint three representatives to form a council of nine, such council to co-operate with the superintendent of banks in an effort further to perfect the banking system of the state of New York and to increase its ability to serve the public.

Pittsburgh

—Speaking of market conditions in the Pittsburgh district, the People's National Bank of Pittsburgh says in its March trade letter:

"An extraordinary condition of the metal markets developed during the month just closed. As stated in this letter on February 1, the composite finished steel price in January reached the highest level quoted in fifteen years. During the early part of February additional advances occurred, and ten days ago there was a further advance of $5 or more a ton on various descriptions of finished and semi-finished products. The pressure of export business, coupled with urgent domestic needs, particularly from the railroads, is responsible for the situation, which more nearly resembles a state of famine than at any previous time in many years."

—The accompanying cut shows the new building now in course of erection at Schenectady, N. Y., for the Schenectady Trust Co. The building was planned and is being erected by the Bankers Engineering Co., of New York.

NEW BUILDING OF THE SCHENECTADY (N. Y.) TRUST COMPANY

It will be 57 feet front and 135 feet deep, of granite and finished in Tavernelle marble with bronze grills and mahogany furniture. The building will be occupied entirely by the company except a suite of rooms which is to be fitted up for the counsel of the company, A. A. VanVoast, Esq., The banking house is being built on the site of the old home of the bank and is being constructed in two sections, one of which is occupied while the other is being completed. Gerardus Smith is president and H. B. Boardman vice-president and treasurer of the company, which was organized in 1902 with capital of $250,000.

—In taking over the Farmers and Merchants State Bank of Oneida, N. Y., the Oneida Valley National Bank has increased its capital from $105,000 to $125,000, making the latter institution the largest national bank in Madison county, with assets approximately $1,000,000. This is an increase in two years of nearly $600,000. The Oneida Valley National Bank was established in 1851 and the Farmers and Merchants in 1892.

H. D. Fearon who became cashier of the Oneida Valley National Bank two years ago will continue as cashier of the consolidated bank.

—The Essex National Bank, Montclair, N. J., has recently opened its new bank building just completed from plans by Architects Holmes & Winslow, New York. The cost of the completed structure was about $50,000.

—Savings and loan associations with total resources of nearly $22,000,000

have become members of the Land Bank of the State of New York. The operation of this new institution will be commented upon in the forthcoming annual report of State Superintendent of Banks Eugene Lamb Richards, on savings and loan associations of the state.

—The People's National Bank, New Brunswick, N. J., will have the largest banking room in that city in its enlarged bank building now nearly completed at a cost of $50,000, from the plans of Architects Holmes & Winslow, New York City.

NEW ENGLAND

Boston

—How the Massachusetts Farmland Bank will operate and the principles which will govern it were told by Herbert Myrick of Springfield in an address before the Massachusetts Savings Bank Officers Club at its annual dinner at Young's Hotel. William P. Hart, treasurer of the Charlestown Five Cents Savings Bank, was elected president, and Frederic B. Washburn, treasurer of the Worcester Five Cents Savings Bank, secretary and treasurer.

—William B. Stevens, who has recently been appointed vice-president of the National Union Bank of Boston, was born in Pittston, Me., and began his banking career with the Gardiner National Bank, of Gardiner, Me. He was afterwards connected with the Attleboro National Bank of Attleboro, Mass., which position he resigned to enter the employ of the North National Bank of Boston. Just prior to the liquidation of this bank he resigned to accept a position as second assistant cashier of the National Bank of Redemption. Later he became assistant cashier of the National Union Bank. On the resignation of Mr. Perkins he

was appointed cashier of this bank and later succeeded Mr. Blinn as vice-president.

Arthur E. Fitch, recently appointed cashier of the National Union, was born in Boston and with the exception of five years spent with the brokerage firm of Jackson & Curtis has been in the banking business all his life. For the past twenty-four years he has been with the National Union Bank, coming up through the ranks from messenger to assistant cashier in 1913 and cashier in February, 1916. He is a graduate of the American Institute of Banking and at present is an instructor in money and banking in the College of Business Administration of Boston University.

John W. Marno, the new assistant cashier of the National Union Bank, was born in Boston in 1888, was educated in the public schools, and entered the banking business upon graduation from the high school. After a few months' experience in the Boston Clearing-house as a clerk, he entered the National Union as a messenger in 1909, passing rapidly through the various departments in the bank, being elected assistant cashier last February. Mr. Marno is a graduate of the American Institute of Banking and is at present first vice-president of the Boston Chapter.

—The Arlington (Mass.) Trust Co. is making alterations in the arrangement of the interior of its banking rooms by extending the counter several feet and putting in a coupon booth and customers' writing room. The extension of the counter is made to permit the installation of a Thrift Department which will be opened soon. This Thrift Department will have several savings clubs. The first one to be started will be a Christmas club to run forty weeks and will be started at once. Other clubs will be started later in the year.

—The following Connecticut national banks have been transferred from the first to the second Federal Reserve District: The City National, the Connecticut National and the First National of Bridgeport; the Bethel National of Bethel; the City National and the Danbury National of Danbury; the Greenwich National of Greenwich; the First National of New Canaan; the Central National, the Fairfield County National, and the National of Norwalk, of Norwalk; the First National of Ridgefield; the City National of South Norwalk; the First National and the Stamford National, of Stamford.

—Plans are being perfected for merging the Yale National Bank of New Haven, Conn., with the First National of that city. The Yale National under its present management has shown a steady and consistent growth. In its statement of December 31 it shows capital $500,000; surplus and profits, $429,355.75; deposits, $2,814,-241.19, and total resources, $4,397,-816.68. Since the establishment of the savings department the bank has opened over 5,000 accounts with total deposits of over $400,000. John T. Manson is president and C. C. Barlow cashier. It will probably be late in 1916 before the merger is completed.

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—The excellent financial condition of the South in general and Richmond in particular is shown in reports from the clearing-house and the Federal Reserve Bank of Richmond. While the bank clearings are showing an increase of nearly 100 per cent. for the month of February, rediscounts of the Federal Reserve bank for member banks in the Fifth District have shown a decrease for the same period.

Richmond shows a larger amount of

bank clearings than any other Southern city with the exception of New Orleans. Clearings from the Richmond clearing-house amounted to $64,449,478, the Richmond Country Clearing Association, $5,882,500; making a total clearing for Richmond of $70,331,978 for February, 1916. For February, 1915, the total clearings were $35,308,618, an increase of $35,023,360, nearly 100 per cent. over the corresponding month last year.

The fact that the rediscounts of the Federal Reserve Bank have decreased from $3,658,637, in 1915, to $3,015,826 for last month, is indicative, the bankers say, of an abundance of money in the banks of the South for commercial purposes. The total decrease in rediscounts for the month was $642,811.

—Looming large as a railroad terminal, West Point, thirty-five miles from Richmond, is now in the eye of prospective railroad builders and is attracting the attention of financiers and business people to the wonderful possibilities of the York River metropolis. The York River also offers a great deep water harbor at West Point, which adds to the attractiveness of the place as a business center.

Arrangements are about complete for the construction of a railroad from Urbanna on the Rappahannock River, to West Point, the Richmond, Rappahannock & Northern Railroad having been organized to build the line. It is expected that work on this road will begin in the very near future, and the line will be in operation before the end of the summer.

It is also reported that Richmond financiers will join with capitalists of West Point and that section in the building of a road from Toano, a station on the C. & O. Ry., to Manhattan, on the York river, and opposite West Point. A bridge will be built over the river and when this new line is complete it will make a through all-rail route from Urbanna to Toano. This will put the rich Rappahannock valley territory in touch with the great C. & O. Ry. and give quick transportation from the Virginia peninsular to Norfolk, Richmond, Washington, Baltimore and the North and West.

Richmond capital is deeply interested in these enterprises and financiers here will subscribe liberally in the promotion of both roads.

—The reception given William Ingle, former Reserve agent of the Federal Reserve Bank of Richmond, by the bankers of this city, might justly be termed a brilliant social function of financiers. The dinner was given in honor of the Baltimorean who had made his home in Richmond for a little over a year, and during that time had won a place in the affections of the people of this city. Members of the Federal Reserve Board, the directors of the Federal Reserve Bank of Richmond, officials of that bank, and others, were invited to be present.

Judge Milton C. Elliott, counsel for the Federal Reserve Board, represent-

Dominion Bank of Canada
Montreal, Canada
Darling & Pearson, Architects

Lighting a Bank Ceiling from the Screen Tops

The interior architecture of the Dominion Bank of Canada is one of the finest examples of banking room architecture in America.

The above illustration forcefully shows how effectively the architectural design of this beautiful interior is set off and enhanced by the

Frink System of Upward Diffusers

installed by

Johns-Manville Bank Lighting Service

in the cornice of the bank screen projecting the light directly to the ceiling.

This ingenious lighting scheme was evolved to meet the requirement that there should be no ceiling fixtures.

The decorative effect of the ceiling panels, representing the coats of arms of the various provinces of Canada is greatly enhanced by having their true color value properly brought out by means of color screens placed in the reflector.

This is but one of the many banks where Johns-Manville Lighting Service has employed one or more of its three departments.

The Frink System of Scientific Light Diffusion
The Mitchell Vance Company—Lighting Fixtures and Bronzes
The Gill Bros. Co., Parian Glassware

Johns-Manville Acoustical Service

Nothing is more distracting to a busy office force than the confusion of sound. Nothing adds so much to the stability and dignity of a financial institution as quiet—and the force works better.

Johns-Manville Acoustical Service approaches the noise problem from a corrective angle and prescribes a treatment. This treatment eliminates reverberation. It can be applied without seriously interfering with the activities of your business and does not involve costly changes in your building.

Any of our 51 branches will gladly confer with you on your lighting or acoustical problems.

H. W. Johns-Manville Company

Akron	Buffalo	Denver	Kansas City	Newark	Rochester	Syracuse
Albany	Chicago	Detroit	Los Angeles	New Orleans	St. Louis	Toledo
Atlanta	Cincinnati	Duluth	Louisville	New York	St. Paul	Tulsa
Baltimore	Cleveland	Galveston	Memphis	Omaha	Salt Lake City	Washington
Birmingham	Columbus	Houghton	Milwaukee	Philadelphia	San Diego	Wilkes-Barre
Boston	Dallas	Houston	Minneapolis	Pittsburgh	San Francisco	Youngstown
	Dayton	Indianapolis	Nashville	Portland	Seattle	

THE CANADIAN H. W. JOHNS-MANVILLE CO., LIMITED

Toronto Winnipeg Montreal Vancouver

ing the board were present and made an address, alluding to the excellent work done by Mr. Ingle in the establishment of the Federal Reserve Bank in Richmond. Speeches were made by Colonel Julian H. Hill, cashier of the National State and City Bank; George J. Seay, governor of the Federal Reserve Bank of Richmond; H. B. Wilcox of Baltimore, director of the Federal financial institution here; Eppa Hunton, Jr., Leigh R. Page and George Bryan.

Colonel Thomas B. McAdams, vice-president and cashier of the Merchants National Bank, on behalf of the bankers of Richmond, presented Mr. Ingle with a handsome silver pitcher, taking the opportunity of paying a high compliment to the excellent work done for the banking interests of the South by the retiring Federal Reserve agent.

Mr. Ingle, who has accepted the presidency of the Baltimore Trust Co., responded in a happy vein, declaring that his residence in Richmond and association with the business people here was a most pleasant recollection.

—The Merchants National Bank of Richmond has shown a remarkable deposit growth within the past few months. Taking the last three official calls it is shown that on November 10, 1915, this bank had deposits of $8,820,-887.21. On December 31, 1915, they had increased to $9,233,116.67. On March 7 they were $9,934,826.22 and on March 20 they had passed the ten-million-mark, being $10,852,000, the largest in the history of the bank. On March 7 this bank had total resources of $11,749,378.23.

—At the close of business on March 4, 1914, the American National Bank of Richmond had total resources of $8,746,-579.36. In its statement of condition dated March 7, 1916, approximately two years later, this bank showed total resources of $10,620,383.28, a gain of two millions in two years. During the same period deposits of this bank increased from $5,426,618.53 to $7,307,-469.43. This very commendable growth within the past two years is indicative of the large part which this bank is playing in the remarkable development of the South which is becoming more and more evident every year.

Norfolk

—Caldwell Hardy, formerly president of the Norfolk National Bank, has been appointed as Federal Reserve agent at Richmond, Va. Mr. Hardy succeeds William Ingle of Baltimore, who has resigned to become president of the Baltimore Trust Co.

The new Reserve Agent is a native of North Carolina. He moved to New York with his parents when he was a

child, in the early '60's, and was educated at the Brooklyn Polytechnic Institute. He entered a broker's office in Wall street in 1870, and soon afterward

CALDWELL HARDY
RECENTLY APPOINTED FEDERAL RESERVE AGENT AT RICHMOND, VA.

went to Norfolk to engage in banking. In 1885 he became cashier of the Norfolk National Bank when it was organized and has been president of this institution since 1899. He has served two terms as a member of the executive council of the American Bankers Association, and was president of the association in 1902.

—Directors of the Equitable Trust Co. of Baltimore, at a meeting held March 7, declared a quarterly dividend of 1½ per cent., payable on April 4 to stockholders of record March 31. This is at the rate of six per cent. annually, as against four per cent. paid last year, or an increase of two per cent.

The Equitable Trust directors declared the initial dividend during the second quarter of 1915, it being one per cent., or at the rate of four per cent. annually. The same dividend was declared for the third quarter, but during the last quarter the board, in addition to authorizing the payment of the regular one per cent., declared an extra one per cent., thus making it four per cent. for the year.

The Equitable Trust Company is rapidly increasing its business and the board decided to permit shareholders to participate in its prosperity to the extent of an increase of two per cent. in the annual dividend rate.

—The National Bank of Suffolk, Va., will erect at once a splendid bank and office building on its site at Main and Washington square, Suffolk.

In May, 1903, its present quarters

were leased and it has been occupying the building at Washington square and Main street from that date till now.

The officers and directors of the bank at this time are: James L. McLemore, president; T. R. Birdsong, vice-president; Arthur Woolford, cashier; C. E. Hargraves, assistant cashier; these, with I. O. Hill, John M. Butler, W. C. Harrell, Richard Howard, E. L. Folk and J. A. Pretlow, constitute the board of directors.

—The Virginia Bankers Association will meet at Hotel Chamberlin, Old Point Comfort, Va., on June 22, 23 and 24, 1916.

—The Title Guarantee and Deposit Company of Charleston, S. C., has opened for business in its new building on King street, opposite Liberty. More than 2,000 friends of this institution visited the new banking rooms on the opening day.

—Banks in Louisiana near New Orleans will be affiliated in the future with the New Orleans branch of the Atlanta Federal Reserve Bank instead of the Reserve Bank of Dallas. The Federal Reserve Board has approved a resolution providing: "That all of Louisiana, north of the parishes of Vernon, Rapides and Avoyelles, remain in the Eleventh Reserve District, and that the remaining part of the State of Louisiana now in the Eleventh District be transferred to the Sixth Federal Reserve District and the banks therein allotted to the New Orleans branch of the Federal Reserve Bank of Atlanta." About a dozen banks will be shifted in Louisiana by this action. About twenty banks originally appealed to be put in the Atlanta district instead of the Dellas district, but according to the last brief filed by counsel, only twelve or

fourteen of the twenty still desire to have their headquarters changed.

WESTERN STATES

Chicago

—The West is having its usual crop scare about winter wheat, says the National City Bank of Chicago in its March trade letter, but nothing serious has resulted from it. Reports of bad conditions have come from various sections, notably Missouri and Texas, but such information at this season is always unreliable, as it is too early to forecast the damage done. Sentiment throughout the West is optimistic and the volume of business appears to be increasing with heavy buying by country merchants, who for the first time in two or three years are evincing their confidence in the future by stocking up with large supplies of merchandise. The mercantile situation is thoroughly reassuring. The basis for much of the activity is the increased purchasing power of the people, who are in a position to make heavy purchases and to pay for what they buy.

—J. J. Hill has resigned as a director of the First National Bank of Chicago, to comply with the Clayton act. He has been succeeded by Joseph D. Oliver, president of the Oliver Chilled Plow Company.

St. Louis

[*By a Special Correspondent*]

—James W. Bell, manager of Mercantile Trust Company's Savings Department is to retire from business activities in August, when he will be ninety years old.

Mr. Bell has been manager of the Mercantile Trust Company's Savings

SPECULATING IN FINANCIAL ADVERTISING IS MUCH MORE CERTAIN THAN SPECULATING IN STOCKS AND BONDS. THE SPECULATOR IN FINANCIAL ADVERTISING IS BOUND TO LOSE.—From *"Where Investment Succeeds and Speculation Fails."*

Precedents

—have been battered to bits this year—in war, in commerce, in finance.

Instead of following hallowed traditions, the underwriters of the Anglo-French bonds *appealed directly to the public.*

It was the only way. If the public did not absorb these bonds the loan could not succeed. And the one that is to follow must fail.

Also it was the surest, the most economical way to sell the bonds.

It is the surest, most economical way for you to sell securities.

You know THE LITERARY DIGEST. You know the kind of people who read it—the greatest investment buying public in America.

There are 450,000 of these people.

A Quality circulation, a *circulation without waste.*

Immediate National Publicity

The Literary Digest

Have you read the booklet "*WHERE INVESTMENT SUCCEEDS AND SPECULATION FAILS?*" It is interesting, maybe it is important. We will be glad to send it to you.

Department for fourteen years, and will be ninety years old August 16.

He came to St. Louis in his boyhood, and for twenty-seven years, through the Civil War period, was connected with the Charter Oak Stove Company in St. Louis, being secretary and general manager when he resigned that place.

For several years Mr. Bell has been vice-president of the Wagner Electric Manufacturing Company, a $2,000,000 concern. For thirty-five years up to last year he was also a director of the National Bank of Commerce. He holds large blocks of stocks in several St. Louis banks and corporations.

The St. Louis Safe Deposit Company, which had quarters at 513 Locust street, was taken over by the Mercantile Trust Company in 1892. Mr. Bell was president of the safe deposit concern, and became manager of the Mercantile's Savings Department when it bought his concern.

—When the new million-dollar building is completed on the corner of Eighth and Olive streets, in St. Louis, the American Trust Company and the Title Guaranty Trust Company will consolidate and move into the second floor of the new building. The Night and Day Bank will occupy the first floor of the building. The property upon which this new office structure is proposed is valued at more than $25,000 per foot.

—At the luncheon given at the City Club on March 4, in honor of John Purroy Mitchel, Mayor of New York, Henry T. Ferris, vice-president of the Mortgage Trust Company, introduced Mayor Mitchel, and John G. Lonsdale, president of the National Bank of Commerce, and Richard S. Hawes, vice-president of the Third National Bank, together with several other St. Louis bankers and capitalists, sat at the speakers' table. Mayor Mitchel's talk

on the defense problem was much appreciated and heartily applauded.

—On March 1 the German American Bank moved to its new banking quarters in the Missouri Athletic Association Building, at Washington avenue and Fourth street, where it will somewhat widen the scope of its banking facilities, to include a savings department and safe deposit vaults. A courteous invitation has been extended to all bankers to visit them and inspect the new banking room.

—Effective the 1st of March, the trust companies in St. Louis and St. Louis County will discontinue paying interest on checking accounts with average balance of less than $500. Heretofore under the custom in vogue interest was paid on all deposits, no matter what the character, but it has been unanimously decided to take advantage of the new Missouri state banking law and restrict the payment of interest to savings accounts, and checking accounts as described above. In adopting the policy outlined, the trust companies are patterning after the national banks.

—An exposition of the workings of the St. Louis Sub-treasury and of the Federal Reserve Bank were given the West End Business Men's Association by W. D. Vandiver, United States Treasurer at St. Louis, and Wm. MacMartin of the Federal Reserve Bank, at a meeting March 8.

—The report of the North American Company for the year ended December 1, 1915, shows 6.05 per cent. earned on $29,793,300 capital stock, which compares with 6.40 per cent. earned the preceding year. The surplus decreased $103,995, as compared with 1914. North American controls the United Railways Company of St. Louis, and its shares are largely held in that city.

—The St. Louis Chapter of A. I. B. has divided $102,892.50, the occasion of the division being the distribution of the funds of the Bankers Investment Association for the two-year period ended January 20, 1916. The distribution on each share will amount to $127.50, and the $7.50 profit on each share amounts to something over six per cent. on the average amount invested.

The total number of members in the association is 249, which is quite an increase over the number of those in the preceding association.

The first Bankers' Investment Association was organized several years ago for the particular benefit of bank employees who were members of the A. I. B. (St. Louis Chapter), and the Bank Clerks' Association of Missouri. It soon became evident that a great many more bank clerks were eligible. The scope of the investment association therefore was extended until at present any employee of any St. Louis bank or trust company is eligible as a subscriber.

The officers of the association are: Byron W. Moser, president; Geo. M. Willing, vice-president, and H. B. Rose, secretary and treasurer.

—Dr. D. H. Doane, head of the Department of Farm Management of the Missouri University and State Leader of County Agricultural Agents, resigned these positions to become Field Superintended of the Mississippi Valley Trust Company's Farm Loan Department on March 15.

Dr. Doane is a nationally recognized authority on farm efficiency work. As Field Superintendent of the Mississippi Valley Trust Company's Farm Loan Department he will be responsible for investigating any new territory in which the company contemplates doing business, and passing upon its soils, crop yields, living conditions and general values.

—Harman R. Crock, formerly at the head of the bank accounting staff of Ernst & Ernst, certified public accountants, has been elected auditor of the St.

Louis Union Bank and the St. Louis Union Trust Company, assuming charge of the auditing department March 8 last.

Mr. Crock's experience in banking and in accounting has been so wide and so varied that he is unusually well qualified for the responsibilities and duties which will devolve upon him in his connection with two of St. Louis' largest financial institutions. He is a native of Ohio, born in Marion, and acquired his first banking experience in that city. His experience in the banking business covers a rise in position from collection clerk to assistant cashier in Ohio banks. He refused the position of cashier in a national bank to associate himself with Ernst & Ernst, and spent fourteen months in the office of the Citizens Savings and Trust Company, the largest trust company in the city of Cleveland, systematizing and standardizing their accounting forms and practises. His experience has covered the auditing and examination of every sort of commercial business and of banks and trust companies in every section of the United States.

Minneapolis

—The Northwestern National Bank of Minneapolis reports that farmers in the section served by that institution have become so prosperous that they are borrowing less money than formerly, and there are signs of a return movement to agriculture. The bank says:

"The investment market does not seem to be as active as the large amount of money in banks and the heavy savings balances would ordinarily indicate. General interest rates are so low that many people are content with savings bank interest. The demand for farm mortgages is very strong, but our farmers are in such excellent condition financially that the supply of mortgages continues to be less than the demand. This, of course, has resulted in a decrease of rates to the farmers. Mortgages from the best farming communities of Minnesota and the Dakotas are especially hard to obtain. In former years, when there were plenty of these securities, it was not necessary for capital to go into the newer parts of the Northwest unless attracted by high rates. It is probable that present conditions will turn large amounts of money to investment in the less populous portions of the Northwestern States and will result in increased settlement and greater value for land. Whether this condition will result in an extended movement 'back to the farm,' cannot, of course, now be predicted, but tendencies in that direction have already been reported from two or three sources."

—William J. Stevenson, for the past five years assistant attorney-general of Minnesota, has been elected secretary and trust officer of the Wells-Dickey Trust Company of Minneapolis.

—The Morris Plan Bank of Cleveland has been incorporated with a cap-

ital of $500,000 and has opened for business at East Sixth street and Rockwell avenue, N. E. R. J. Bulkley is president of the Cleveland branch and Thomas Coughlin is vice-president and manager.

—Fred H. Talbot has resigned as assistant cashier of the First and Old Detroit National Bank to become cashier of the Commonwealth State Bank, which is completing its organization preparatory to staring business May 1, in offices on the ground floor of the Hammond Building. Mr. Talbot began his banking career as messenger with the Old Detroit National Bank. He is a brother of Charles R. Talbot, vice-president of the National Bank of Commerce.

—The Bankers Engineering Company of New York has taken the contract to erect a new banking house for the Escanaba National Bank at Escanaba, Mich., of which J. K. Stack is president and M. N. Smith cashier. It will be a three-story structure, the bank occupying the main and mezzanine floors, and the bank counsel and one of the directors the office floor. Work on the new building will start about April 1.

—A change of management in the Bank of Telluride, Colo., has been announced, the new personnel being as follows: W. E. Wheeler, president; E. B. Adams, vice-president; C. D. Waggoner, cashier. The directors are now W. E. Wheeler, E. B. Adams, C. D. Waggoner, Chas. A. Chase, and Alfred Dunham.

—At a meeting of the directors of the First National Bank of Pueblo, Colo., Mahlon D. Thatcher, Jr., was elected president, to fill the position made vacant by the death of his father on February 22. Raymond C. C. Thatcher was elected first vice-president of the bank, and Mahlon T. Everhart was chosen director of the First National.

Mahlon D. Thatcher, Jr., has also been elected a director and treasurer of the Great Western Sugar Company.

PACIFIC STATES

San Francisco

—The American National Bank of San Francisco published in a recent financial letter the following figures showing San Francisco's banking growth:

	Feb. 15, 1914	Feb. 15, 1915	Feb. 15, 1916
Commercial Deposits..........	$178,240,400	$188,075,500	$239,442,200
Savings Deposits	193,504,500	202,139,200	222,481,000
Loans and Discounts..........	267,070,900	274,131,500	279,969,500

Disregarding the legal reduction in reserve requirements for national banks, says the American National, and also any "investments" that may have been made since February 15, 1914, and assuming that the figures of that date show a normal working ratio between loans and deposits, it appears that the banks of San Francisco are now holding approximately $52,000,000 more loanable funds than they did two years ago.

—A series of ten practical talks on banking is being given at the San Francisco Y. M. C. A. as follows:

March 9—"Money and How to Use It," by E. W. Wilson, International Banking Corporation.

March 16—"Savings Banks: A Form of Insurance," by Wm. A. Day, Savings Union Bank and Trust Company.

March 23—"Rural Credits," by J. B. McCargar, Crocker National Bank.

March 30—"Real Estate Values," by John Ginty, Assessor City and County of San Francisco.

April 6—"Bonds and the Small Investor," by E. R. Elliott, Wm. R. Staats Co.

April 13—"What the Bank Wants to Know When You Borrow," by R. A. Newell, First National Bank of San Francisco.

April 20—"Itemized Living Cost," by Chas. J. Crary, First National Bank of Richmond.

April 27—"Federal Reserve and Other Banks," by Russell Lowry, First National Bank of Oakland.

May 4—"United States As the World Banker," by John Clausen, Crocker National Bank.

May 11—"Preparedness," by Dr. A. H. Giannini, Bank of Italy.

—The Sacramento Valley Bank and Trust Company of Sacramento, Calif., signed a lease with the California Fidelity Insurance Company for the ground floor of the Fidelity Building, now nearing completion at Eighth and J streets.

—The Comptroller of the Currency has approved an increase of $200,000—from $150,000 to $350,000—in the capital of the First National Bank of Redlands, Cal. The First National Bank has been consolidated with the Citizens National Bank, the latter institution having been placed in voluntary liquidation.

—The capital stock of the National Bank of Pasadena, Cal., will be increased from $300,000 to $400,000. The additional 1,000 shares of capital stock are offered to present stockholders.

Portland

—The Portland "Oregonian" thinks that if Portland should exert itself to establish steamship lines and to develop traffic for them by extending its mercantile business to the ports reached by them, the railroads would show more disposition to bring to Portland the traffic which rightfully belongs to it on account of its location.

It is pointed out that the opportunity still exists to enter the Alaska trade. The building of the Government railroad to the coal fields has revived activ-

ity in that territory, and the development of coal mines will increase the volume of traffic not only to the coal mining, but to the gold and copper mining districts. The fishing industry of Alaska has grown to great dimensions and affords much traffic. Portland men have interests in mines and canneries and can turn much business to a Portland steamship line. Loyalty to their city as well as to their own interests prompts them to aid in establishing and supporting a line. But they cannot be sure of putting it on a paying basis the first year. As in establishing any new business, they must expect to bear a loss during the first and probably the second year. Not until convinced that a new line will be permanent will shippers break old connections and risk incurring the ill will of shipowners to whom they would be compelled to turn again if the new line withdrew.

Seattle

—G. F. Clark, formerly cashier of the National Bank of Commerce of Seattle, has been elected vice-president of both the Dexter Horton Trust and Savings Bank and the Dexter Horton National Bank. Prior to his election as cashier of the National Bank of Commerce, Mr. Clark was an assistant cashier of the Dexter Horton National Bank. C. E. Burnside, cashier of the Dexter Horton National Bank, was elected an additional director of that institution at the annual stockholders' meeting.

Spokane

—The Pacific Northwest Investment Society has been succeeded by the Lincoln Bank and Trust Company, which has opened in the Finance Building at the northwest corner of Howard and Sprague streets. H. C. Sampson is manager of the new company; M. E. Hay is president and E. T. Hay secretary and treasurer.

—R. L. Rutter, president of the Spokane and Eastern Trust Company, stated in the February news-letter of this institution:

"From the trend of letters received by this institution from all parts of the Pacific Northwest during the past six weeks, it is clearly evident that the tide has turned and that 1916 has started off on a much better basis than was anticipated even as recently as six months ago. The return of business prosperity, for some time so plainly evidenced in the eastern and middle western states has at last definitely manifested itself in the territory served by Spokane."

Salt Lake City

—The National City Bank of Salt Lake City, Utah, has been designated the depository for Salt Lake City funds. The National City Bank offered to pay 2½ per cent. interest to the city on all credit balances and to charge four per cent. on overdrafts.

CANADIAN

—At a meeting of the directors of the Bank of Toronto, held on March 1, W. G. Gooderham, vice-president since 1905, was elected president to succeed the late Duncan Coulson. Joseph Henderson, heretofore second vice-president, was elected first vice-president, succeeding Mr. Gooderham.

Mr. Gooderham was born in Toronto January 5, 1853, and was educated at Upper Canada College. He began his business career in his father's firm, Gooderham & Worts, Limited, succeeding his father as president upon the latter's death in 1905. He was elected a director of the Bank of Toronto in 1881 and vice-president in 1905.

Besides holding the positions mentioned Mr. Gooderham is president of the Canada Permanent Mortgage Corporation; president of the Manufacturers' Life Insurance Company; president of the General Distilling Company, Limited; president of the Toronto Hotel Company, Limited; member of the Toronto Board of Trade; member of

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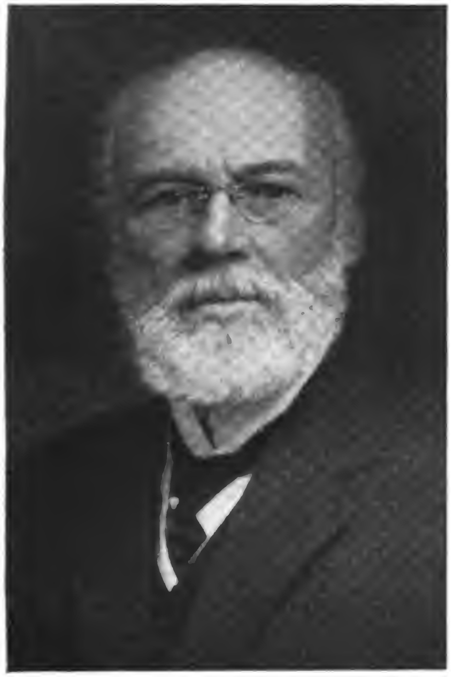
WILLIAM G. GOODERHAM
PRESIDENT BANK OF TORONTO
TORONTO, CANADA

the Canadian Manufacturers' Association, and chairman of the Board of Governors, Upper Canada College.

Joseph Henderson, the new vice-president, has been connected with banking in Canada for fifty-two years, most of the time being spent with the Bank of Toronto, which he entered in 1869. He served as manager of the branches of the bank in St. Catherines and Cobourg. In 1889 he became inspector and in 1901 assistant general manager. On retiring from the position of assistant general manager in 1911, Mr. Henderson was elected a



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JOSEPH HENDERSON
VICE-PRESIDENT BANK OF TORONTO
TORONTO, CANADA

member of the board of directors and second vice-president. When Mr. Gooderham succeeded to the president's chair he became vice-president.

—In the Dominion Parliament, says the "Financial Post," it was moved recently by Sir Thomas White that it is expedient to amend the Bank Act by repealing the provision limiting the time within which chartered banks may lend money for the purchase of seed grain upon the security of the grain purchased and the produce from it, and also to permit the banks to lend money to farmers and those engaged in raising stock upon the security of their live stock, "that is to say, upon horses and their progeny, bulls and cows and their progeny, sheep and swine."

This amendment to the Bank Act was proposed a year or two ago, but not accepted by the banking and commerce committee. Now, however, as Sir Thomas White has explained, at the behest of the western farmers, it is again being submitted. The objection taken to the clause was voiced by Dr. Pugsley, who thought that the banks would get all the security the farmer had to offer, and, therefore, his credit would be limited at the storekeepers. Mr. McCraney, representing Saskatoon, frankly stated that he did not think the Minister was doing the small farmer a good turn by introducing this legislation, and suggested that it apply only to those borrowing $2,000 or more. Mr. McCraney said that mixed farming, in the opinion of the average young banker in charge of offices in the Canadian West, meant raising hogs. He referred to a friend of his in Saskatchewan, near the border of Alberta, who saw ten or dozen young dead pigs close to a barn. "The banker," Mr. McCraney said, "had loaned $200 to the farmer, and had insisted that $100 be invested in

hogs. The farmer bought the hogs, but he had no means of sustaining them, and they died of starvation. That is mixed farming, according to the banker, and if we do not look out we are going to have trouble on account of the bankers interfering with our methods of agriculture." Mr. McCraney's opinion was not that of all Westerners. Mr. W. A. Buchanan, representing Medicine Hat, said that the idea had developed with the Lethbridge Board of Trade. Mr. Frank Oliver of Edmonton also supported the resolution.

New York to Have World's Greatest Hotel

A CONTRACT to erect the largest hotel in the world in the Times Square district of New York is announced by Hoggson Brothers, contracting designers. The new hotel will cover an entire block front and will be twenty-eight stories high. The building and site will cost $15,000,000 and the hotel will contain at least 2,500 rooms, or nearly twice as many as the largest existing hotel. It is to be called the Hotel Commonwealth.

Starrett & Van Vleck and Beverly S. King & Shiras Campbell are the architects. Hoggson Brothers have signed a contract covering every detail of construction cost at a price limited and guaranteed in advance. This is the largest single contract of its kind ever executed. Hoggson Brothers have designed and built more banks than any other firm in the world, and have also designed and built many notable buildings of other kinds.

The plan of financing the new hotel building is as unusual as the other features of the enterprise. The Commonwealth Hotel Construction Corporation is a co-operative concern. Its $15,000,000 of capital stock is to be distributed among approximately 150,000 persons. Only the directors of the company are to own more than one share apiece, they being required to have three shares each.

The net earnings of the company are to be applied first to rebates to shareholders upon their payments for food and lodging at the hotel and then to dividends. The co-operative feature is to be carried even to the extent of a shopping bureau which shall not only serve the shareholders of the company but will also bring them discounts upon their purchases from the leading shops and department stores.

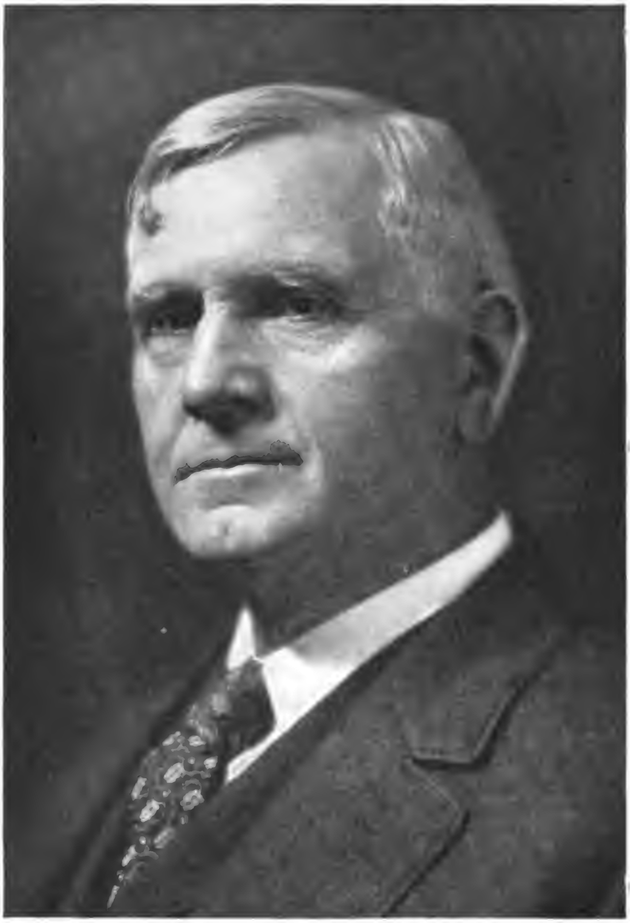
The directors will be thirty prominent bankers, merchants and manufacturers.

Proceedings of Investment Bankers Association

SECRETARY FENTON of the Investment Bankers Association of America has issued the fourth annual proceedings of the association. In comparing the volume with previous years one cannot but admire the advance and improvements made.

The book is bound in three-quarters leather, on antique paper, with photogravure pictures of all officers. Altogether it is one of the most handsome volumes issued by any association.

Aside from the value of the book as one of art and beauty, it is of value to all investment bankers and students of finance. It contains the addresses delivered before the Denver convention, reports of committees, list of members, etc.



Very truly yours
Charles N. Fowler

[Mr. Fowler was for sixteen years a member of Congress from New Jersey, and was for eight years Chairman of the Banking and Currency Committee. He has just written, and the Bankers Publishing Co. has just published, a book on banking, entitled "An American Banking System," which is destined to take high rank as authority on that subject. The principles of Mr. Fowler's book and those of the Federal Reserve Act are contrasted in an editorial on following pages.]

THE

BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SEVENTIETH YEAR MAY 1916 VOLUME XCII, NO. 5

An American Banking System

ALEXANDER HAMILTON

"Every loan which a bank makes is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes or in gold or silver, at his option."

WILLIAM J. BRYAN

"The provision [in the Federal Reserve Act] in regard to the Government issue of the notes to be loaned to the banks is the first triumph of the people in connection with currency legislation in a generation. It is hard to overestimate the value of this feature of the bill. In the second place the bill provides for Government control of this money—that is, control through a board composed of Government officials selected by the President with the approval of the Senate. This is another distinct triumph of the people, one without which the Government issue of the money would be largely a barren victory."

IN these two statements, one made by Alexander Hamilton and the other by William J. Bryan, are contained fundamentally opposite principles relating to banking legislation.

Hamilton declares that it is the right of the man obtaining credit to receive it either in the bank's notes or in gold or silver.

Bryan declares that "money"—and in this case he is referring to the Government currency issued through the Federal Reserve Banks—must be controlled by a board composed of Government officials.

The Federal Reserve Act rejected the principle laid down by Alexander Hamilton and adopted that laid down by William J. Bryan.

Hamilton saw that besides gold and silver there was another circulating medium, namely, bank notes, and declared it to be the

privilege of a man who obtains credit to take it in this form if he chooses.

Bryan denies this right, holding that the circulating medium must be controlled by the Government.

The principle laid down by Hamilton enables every man of established credit virtually to circulate that credit in the form of bank notes, for bank notes essentially are nothing more than individual credit put into circulating form and reinforced by the credit of the bank.

Bryan's principle takes away from the farmer, the manufacturer and the merchant this right to pledge his own credit for a form of credit that will circulate, and makes the Government the sole judge and regulator of credit circulating in the form of money.

Hamilton's principle operates to the advantage of those communities needing credit circulation in the form of money and in favor of those whose character is good but whose means are slender. This makes credit accessible to persons in moderate circumstances, and in the form in which they can use it.

The Bryan principle endows a political board at Washington with the power to fix an arbitrary standard of security for currency and one with which it is impossible for the farmer and the small dealer to comply. This makes credit accessible to the large dealer and to the rich but substantially denies it to the small dealer and the poor.

Hamilton practically says to the cotton planter or the farmer who wants credit in circulating form, "Very well; that is your own affair; you know what you want better than any one else does."

Bryan in substance says: "The man who wants the credit doesn't know what he wants. Only a Government board can decide what he should have."

Here are the diametrically opposite schools of thought on the banking question.

Between these two principles there is no more resemblance than between day and night, between hot and cold, or between good and bad.

One principle is right and the other wrong.

Alexander Hamilton designed the first bank of the United States, based upon the principle he set forth as quoted at the head of this article. The currency issued by that bank was as good as the wit of man ever devised, and the bank itself was thoroughly sound and efficient.

William J. Bryan had incorporated into the Federal Reserve Act the exact principle he advocates in the quotation at the head of this article. Mr. Bryan's only place in the financial history of the country heretofore was as an advocate of the free and unlimited

coinage of silver at the ratio of sixteen to one. He made several attempts to carry out this theory by having himself elected President; but every time the American people were given a chance to vote on Mr. Bryan and his financial theories they repudiated both utterly and completely.

Nevertheless, the Federal Reserve Act, directly rejecting the sound rule laid down by Hamilton, adopted Bryan's principles, as he himself says.

But the Federal Reserve Act was never submitted to the people for their approval. The voters were never given a chance to say what they thought of it—whether they wanted it or not.

The question now is, Shall the United States allow Mr. Bryan's theories regarding money and banking permanently to remain the law of the land, or shall we now take up the banking question afresh, discuss it thoroughly and submit the whole matter to the people for their judgment.

If the Federal Reserve Act is sound in principle and in structure adapted to our needs, the more fully it is discussed the more firmly will it be established in popular favor.

But, on the other hand, if the Federal Reserve Act is unsound in principle and foreign in structure, discussion will reveal these defects and enable us to remedy them at once.

Public discussion of the gold standard proved a good thing and led to wise legislation.

Will not public discussion of the banking question produce the same result?

He who does not favor public debate of any great and vital issue distrusts popular opinion and is not a believer in a democratic form of government.

The American people should be given a chance to say whether they want a Bryanized banking system or not.

And if they don't want it, what shall be put in its place?

In "An American Banking System," by Hon. Charles N. Fowler, former chairman of the Banking and Currency Committee of the House of Representatives, the principle laid down by Alexander Hamilton is clearly explained and the banking experience of the United States as developed in our history fully set forth.

Every banker and every voter should read this book, for it is a complete summary of our banking problem and contains the exact information necessary to a full, free and intelligent discussion of this matter.

Let such discussion be had now, and then submit the Federal Reserve Act to the voters and see whether they will approve it or whether they will condemn and reject it as they have condemned and rejected the other financial proposals offered them by William J. Bryan.

CORPORATIONS LESS RICH THAN COMMONLY SUPPOSED

A STATEMENT of the above character, to carry the requisite weight in the public mind, must come from that great source of business authority, the Government. Here is what was said in an address of Edward N. Hurley, vice-chairman of the Federal Trade Commission before the Boston Commercial Club on March 28:

"The Federal Trade Commission has been in existence one year, and after surveying the field we found from a preliminary investigation that 200,000 corporations out of a total of 260,000 engaged in the manufacturing and mercantile business of the United States were eking out an existence; 100,000 of them did not earn a penny. Out of 60,000 successful corporations doing a business of $100,000 a year over 30,000 charged off no depreciation whatever."

From this it would appear that the corporations are not rolling in wealth; and as to their being soulless, that need not be much wondered at since they can scarcely be said to have a body.

For many years politicians have waxed fat by waging war on corporations, and today there is no way in which a man can more quickly doom himself politically than to speak a friendly word for such organizations. As a matter of fact a corporation is nothing more than an association of individuals formed usually for some entirely legitimate and honorable business purpose—for conducting precisely the same business in fact that the individuals themselves would carry on. The reason for the corporate form is clear enough—it affords a larger capital—something indispensable to the prosecution of great enterprises—offers perpetuity in operation, limits the liability of its stockholders, etc.

Theoretically the moral character of a corporation should be neither better nor worse than the average of the units composing it; but in practice, at least in the past, this has not been quite true. Corporations have been guilty of policies that the stockholders, acting in their purely individual capacities, would not sanction. The corporate conscience was for many years decidedly too elastic, and this in part accounts for the public odium attached to them.

That there is a higher level of corporate conscience now than formerly is indisputable; and, perhaps, the larger the corporation the more eager is it to conform to a high ethical and moral standard.

But the onslaught made in the past on the corporations by state and Federal authorities have just about finished them, so that it is

no cause for surprise to learn that there are 260,000 corporations engaged in manufacturing which are merely eking out an existence and 100,000 of them that are not earning a penny.

In striking contrast with this doleful tale, which is furnished by the vice-chairman of the Federal Trade Commission, is the fat and sleek appearance of the politicians who live by attacking the corporations. No one fears that they are merely eking out an existence or not earning a penny. Solomon in all his glory was not arrayed like one of these.

THE RISING VALUE OF SILVER

AN interesting possibility regarding silver is thus referred to in a communication signed "Old Wall Street," appearing in a recent issue of the New York "Sun":

"Have your readers followed the recent rise in the price of silver? In the past year about ten cents an ounce. Who is buying silver and advancing the price? Certainly not the United States. Circumstances abroad, where in two years a debt of thirty billions of dollars has been incurred by the allied nations, may throw some light on this interesting subject.

"Europe is hopelessly bankrupt and the day of settlement can be somewhat mollified if the debtors can pay in a depreciated currency. A long step in this direction would be the remonetization of silver. When John Bull was a creditor of the whole earth gold was all he wanted, but John Bull as a debtor is a different matter, and he would be glad to pay in silver, the only means in fact by which the enormous debt can ever be paid.

"Now here is the prediction: After the war is over the Allies will remonetize silver. They are the buyers now. This alone will create a new value to all the silver on earth, at least five thousand million dollars toward paying their debt. In addition it will give a new purchasing power to the silver countries of Asia, Africa and South America. Ocean freights will be all in the power of the Allies, and arranged for their convenience and profit. Trade destroyed by the war will be built up by giving foreign countries a new power to purchase.

"And where will Uncle Sam be? He will, as usual, come in at the tail end of the procession and shape his finances at the dictation of Europe. He will humbly accept his advances on account of the war in silver at $1 an ounce, which he is now selling to these sharp gentlemen at 60 cents.

"Look out then for silver at a dollar an ounce. Look out for a trade combination against Uncle Sam that will put his foreign business in great jeopardy. And watch Johnny Bull advocate the silver rehabilitation as the salvation of a ruined world, of which he will be the unselfish leader.

"What a glorious story for Bryan to tell to an enraptured Chautauqua circuit. A new paramount issue for the political circus. Let the game go on!"

But is it not rather a violent assumption that on the close of the war Great Britain will be a debtor instead of creditor in the international account? True enough, the United States and some other western nations are paying off their debts to Great Britain, although by no means all of them; and, on the other hand, several of the European nations are vastly increasing their British debts.

Nor can we see that silver at a dollar an ounce would have much attraction for Mr. Bryan. When silver was down and out he was its champion, but should it become aristocratic again he would probably lose interest in it. Besides, Mr. Bryan has succeeded in having the Government provide for the issue of a practically unlimited amount of paper "money," that need be supported by only forty cents in gold. Is that not even more gratifying to him than a fifty-cent dollar would have been? It's a saving of ten cents anyway.

"PEOPLE MUST BE KEPT DOWN"

FROM a book* published not so very long ago by a well-known publishing firm is obtained this illuminating piece of information about banking:

"In every banking parlour you can hear it argued that the people must be kept down, since only thus will they be virtuous and society safe."

What is a "banking parlour?" Others better informed than THE BANKERS MAGAZINE must answer this question, but presumably it is some place in a bank where bankers assemble to argue "that the people must be kept down."

What a strange notion! And yet one that more commonly obtains than many bankers realize. Were it a mere isolated opinion, or expressed the conviction of some one making a savage attack upon business enterprise of all sorts, it might be passed by without

* "Man, the Social Creator," by Henry Demarest Lloyd.

notice. But the opinion is all too common. Not long ago a class of men were assembled for the study of the Spanish language, and when the instructor asked for the Spanish equivalent of banker, quick as a flash came the reply, *ladron!* It is certainly not very complimentary to the banking profession that even the young men consider its members thieves.

And the quotation above is from a carefully written study of sociology, presenting views that upon the whole are sound and moderate; and yet the late Mr. Lloyd said about the harshest and most unjust thing about banks that possibly could have been said.

The whole purpose of a bank is just the reverse of what Mr. Lloyd declares it to be. Banks are trying to help people up and to keep them up, and not to keep them down. It is unnecessary to tell bankers this, for they already know it.

But why do many people really lend a ready ear to these false assertions? Not long ago the editor of this MAGAZINE was asked the following question by a representative of the largest aggregation of wealth in the world: "Why do the people have such dislike of the railways and the great business and financial interests of the country?" And this is the answer then given: "Because the banks, the railways and the large business concerns allow the demagogue to go up and down the land like a roaring lion, making his bread and butter by denouncing them, while they themselves sit still under these false accusations and the people believe them to be true."

NEGLIGENT BANK DIRECTORS PENALIZED

AN important case relating to the liability of bank directors for negligence in failing to discover the defalcation of an employee was decided recently in the United States Circuit Court for the District of Massachusetts. It seems that a bookkeeper in a bank had been appropriating its funds, his defalcations extending from 1906 to 1910. In a suit brought by the receiver of the bank against the directors to make good the loss on the ground that they were negligent in failing to make an earlier discovery of the bookkeeper's peculations, the court held the directors liable to the extent of nearly $300,000.

As an example to directors of the risk they run in neglecting to give due attention to the affairs of their bank, this case is quite instructive.

But it also has other instructive features perhaps not quite so apparent.

During all this time, when the shortage of the bookkeeper was becoming greater and greater each year, the bank was being examined by a national bank examiner, and the bank was paying the Federal Government for such examinations. Why did not the national bank examiner discover the loss? The Bureau of the Comptroller of the Currency, under whose direction the examinations are made, has in its service a large corps of bank examiners who are supposedly experienced and competent. What were they doing in this case while the bookkeeper was going on year after year embezzling the bank's money?

And the bank that paid these examiners for their services, what did it really get of value in return?

And if the directors of the bank are penalized for their negligence, what is to be done with the Bureau of the Comptroller of the Currency for its failure to perform its duties and for which the bank had paid?

A CONCEALED BANK ASSET

SOME banks, and usually those most carefully managed, not infrequently have assets which their balance-sheets fail to disclose. The object of this is to provide for losses without making any deduction from the surplus or undivided profits as published. Is this deception? Hardly so, in the ordinary sense of that term, for it can not be said that a bank whose condition is really stronger than its published statements show is deceiving anybody.

But the "concealed asset" to which reference was intended in the above heading is of another character.

There is a comparatively small bank in a large city whose banking rooms are so arranged that its principal officers are concealed from the public view. Entering the bank you can see at a glance every note teller, receiving teller, paying teller, and even the bookkeepers are all in plain sight. Only by straining your neck and peering around a corner can you get a sight of one or two subordinate officers. The president and vice-president are not to be seen. It might be interesting to figure out how much that bank would gain in a year if its president were placed where he could see and greet those who enter the bank. For he is a man worth seeing and knowing.

Presumably the president of a bank is the chief representative of

the institution. Why should the bank not put its best foot foremost, so to speak?

Is your bank hiding its officers from the public and thus concealing what should be one of your principal assets?

WHY STATE BANKS DO NOT JOIN THE FEDERAL RESERVE SYSTEM

EXPECTATIONS that the Federal Reserve System would bring together the state and national banks have not been realized. Why this is so is explained in a pamphlet recently issued by A. J. Frame, president of the Waukesha (Wis.) National Bank. Mr. Frame's statement is of such interest that a large part of it is reproduced below:

"It seems the national banks of the United States contributed to the Federal Reserve Banks for capital, say $54,000,000. On that amount the banks will receive six per cent. interest annually if made. It is not made for 1915.

"In addition thereto the following sums have been deposited in the Federal Reserve Banks—on which no interest is ever to be paid—as follows (approximately).

	Approximate Amounts
By the three central reserve city banks of New York, Chicago, and St. Louis, seven per cent. of their net demand deposits	$185,000,000
Fifty-two general reserve city banks four per cent. of deposits	95,000,000
7,237 country banks, three per cent. of deposits	110,000,000
Total without interest or right to withdraw	$390,000,000
Adding capital paid in of	54,000,000
Making a grand total now paid in of	$444,000,000
But this does not cover all demands, because in 1916 the fifty-two general reserve city banks must pay in two per cent. more of their deposits	42,000,000
In 1916 the country banks must pay in two per cent.	64,000,000
By November, 1916, the total paid in will be	$550,000,000
In November, 1917, country national banks must hold in cash, or pay into the Federal Reserve Banks two per cent. more than the five per cent. cash now held	64,000,000
November, 1917, this ties up a grand total of	$614,000,000

of national bank money, on which no interest is ever agreed to be paid, except on the $54,000,000 of capital. Deduct this $54,000,000 from the $614,000,000 and the balance will show the national banks are compelled by law to part with fully fifty per cent. of their total capital stock of $1,060,000,000 without any compensation for it whatever except the right to borrow back—from our own deposits, we might say—by parting with our choicest interest-bearing securities, or, as the term goes, re-discounting.

"I have been in the banking business for more than half a century, and as a conservative principle only on rare occasions, except in panic periods, have we cared for a rediscount. Eminent political economists of all ages declare re-discounting to be simply pyramiding credit on credit. That is the way to build booms that burst. To my mind, bankers who expand their bank's loans to the limit of their assets, then discount additional paper, except occasionally, indorse and re-discount it at a Federal Reserve or any other bank, for a profit of ¼ to ½ per cent. on ninety-day paper, are brokers and not doing a conservative, legitimate banking business. The wrecks of non-conservative banks along the shore of my time are ample proof of this hazard. The further fact that the loans, discounts, and other securities in all the banks in the United States aggregate more than ten times their capital, or over $20,000,000,000, and not one-quarter of it is in live paper that is paid when due; also the fact that all banks are crying for more live paper and cannot get it because trade and commerce do not produce it, would seem to indicate in normal times little justification for generous re-discounting. The national banks of the country are commended for their conservatism in the last year because, with re-discounting privileges open to them at low interest rates, but $50,000,000 from the Federal Reserve Banks seems the largest amount desired at any time even to move cotton and big crops generally this fall.

"In view of the fact that vast sums now paid in to the Federal Reserve Banks aggregate over $440,000,000, and with $350,000,000 cash on hand, which is a basis for the issue of approximately $1,000,000,000, or in the discretion of the Board a practically unlimited amount of Federal Reserve Bank notes, to cover re-discounts that may be needed by banks; in view of the fact that in 1914, under the most severe stress in my half century of banking experience, caused by the war in Europe, the banks did not suspend cash payments, but did aid trade and commerce, thanks to the beneficent Aldrich-Vreeland Act, through the issue of some $380,000,000 of extra bank notes, at an insignificant cost for the six years the act was in force. (Doubtless if the Federal Reserve Banks had been in operation they would have been fully as helpful, smoother in operation, but, of course, far more expensive). If we add to the $380,000,000 Aldrich-

Vreeland currency issued some clearing-house certificates, the total of both would not exceed $500,000,000, which gave us all the re-discounts we needed to bridge us over our 1914 troubles. Therefore, can we not fairly ask: If $500,000,000 extra re-discounting privileges under the strained 1914 conditions relieved us, then as the Federal Reserve Banks reserves are ample now to permit more than $1,000,000,000 of extra re-discounts, if needed, why should the 1916 and 1917 installments be called in? They clearly are not needed, and to call them in will add additional burdens upon the banks.

"Without counting capital paid in, the fifty-two general reserve city banks, by paying in four per cent. of their deposits into the Federal Reserve Banks, have parted with all the cash they can spare and retain reasonable cash reserves on hand. This is confirmed by many city bankers. The extra two per cent. they must add in 1916 is a burden to them.

"The country banks in paying in three per cent. of their deposits have parted with all the cash they can spare and keep on hand what the law requires. In addition, many of them have withdrawn funds from their reserve correspondents to make up the deficiency. To compel them to pay in two per cent. in 1916, and in 1917 hold in cash or deposit in the Federal Reserve Banks two per cent. additional, totalling, say, $128,000,000, is a burden they will not cheerfully bear, as it must practically all be drawn from interest-bearing funds or securities. If these undue instalments are not needed, why add unnecessary burdens? I am certain there is a widespread desire among member banks for amendment of the act repealing the 1916 and 1917 calls, and even some bankers are threatening to withdraw from the Federal Reserve System if it is not done.

"To illustrate conditions in Wisconsin, permit me to say, not counting $800,000 capital paid in, the national banks have already deposited in Federal Reserve Banks which are outside of Wisconsin some $4,000,000. They must in 1916 and 1917 pay or hold in cash, say, $4,000,000 more, a total of $8,000,000. If twelve per cent. of country bank deposits are tied up in cash on hand and due from the Federal Reserve Banks, without interest and not subject to check, it seems fallacious to suppose that they will get any relief in reduction of three per cent. in present reserves, as against the old law. They must keep city reserve deposits against which to sell exchange. To do so is a legitimate function of banking, and the effort to collect country checks through Federal Reserve Banks without charge cannot prevail, as banks cannot live without reasonable profits.

"If the State banks of Wisconsin should join the Federal Reserve System, as they hold but 4¼ per cent. of deposits in cash on hand, or $8,500,000, as reserve, they would have to deposit in the

Federal Reserve Banks, outside of Wisconsin, some $10,000,000, all of which evidently must come from income-producing sources."

Mr. Frame finds that the national banks are compelled to give up $614,000,000, or some fifty per cent. of their capital, to the Federal Reserve Banks, and that on this huge sum they get no return except a possible six per cent. on the $54,000,000 of capital. They may, indeed, have the privilege of buying back some of their deposits by re-discounting, but as Mr. Frame says, this is a practice which sound banking will not employ only under exceptional and temporary conditions. As a conservative banker himself, and connected with a bank that for over fifty years has stood solid as a granite rock through every panic, he sees with absolute clearness and precision that the habitual re-discounting of paper is something not to be encouraged in ordinary times if our banking system is to be kept sound.

The conclusion to which Mr. Frame's statement leads is that the national banks have been forced to yield up a huge sum of money to the Federal Reserve System for which they have received no substantial return. In view of this fact it can hardly be expected that the state banks, which are exempt from the bludgeons of Federal statutes, shall surrender a large share of their capital and deposits to an ornamental political board at Washington merely for the purpose of enhancing the emoluments and prestige of the distinguished superfluities who have been endowed by the Federal Reserve Act with the control of the national banking system.

COLLECTING INCOME TAX FROM NON-RESIDENT ALIENS

ACCORDING to a recent ruling non-resident aliens receiving interest from American debtors will have to pay income tax thereon, although the Attorney-General had given a contrary ruling, and in spite of the fact that an amendment providing for such a tax, inserted in the income tax bill in the Senate, was later rejected by both houses of Congress. From this latter circumstance non-resident alien investors in American securities might fairly have concluded that the interest due them was not subject to deduction on account of the income tax, and could hardly be blamed for feeling that the subsequent imposition of the tax was an undue exaction.

The policy of making the foreigner pay the tax has many supporters, particularly as applied to tariff duties. However it may

work out in that case, it would seem that the principle is impracticable in the case of our securities held abroad. You can, of course, compel the foreigner to pay the tax, but he will politely shift the burden upon your shoulders by paying a lower price for the securities you offer him.

Conceivably an impecunious government, could it collect income taxes at will from foreign holders of its securities, might thus get back a substantial part of the interest paid on its external debt. On paper the plan looks well enough, but in practice it would encounter the obstacle above mentioned.

On the other hand, will the exemption of non-resident alien holders of our securities from payment of the income tax enable American holders of these securities to make a transfer merely to evade the tax?

STRETCHING THE CREDIT STRING

IT was clearly one purpose of the Federal Reserve Act to confer respectability upon rediscounting, and to encourage the banks in resorting to this expedient. How business men are beginning to take advantage of this policy appears in the subjoined letter from the secretary of the International Harvester Company:

"Your attention is invited to the enclosed article reprinted from the current issue of this company's magazine, the 'Harvester World.' We believe that the subject is of interest to all American manufacturers and dealers in farming machinery, to all bankers directly or indirectly concerned in the business of the agricultural sections of the United States, and to all who wish to see the new opportunities opened up by the Federal Reserve Act more fully utilized.

"The tendency of the times is toward a shortening of terms in ours as in other lines of manufacture. That tendency can be promoted to the advantage of business generally and without detriment to the farmer, by adoption of the credit policy which we have outlined. At the same time surplus funds in the hands of local Federal Reserve Banks will be offered safe and profitable investment. In its effect, this plan will do something toward solving one item in the problem of rural credits.

"We shall be glad to have you comment on the suggestion advanced in this article and will take it as a favor if you will send us clippings of anything you may publish about it."

To get a fair idea of the article's aims a liberal quotation will have to be made from it:

"Comparatively few implement dealers in this country are familiar with the bill enacted by Congress in 1913, called the Federal Reserve Act. Properly used, this law will enable the implement dealers to place a large part of their business on a cash basis.

"This law created a Federal Reserve Board, with headquarters at Washington, D. C. For the purpose of administration it divided the United States into twelve Federal Reserve Bank Districts, and in each one of these districts established a Federal Reserve Bank. National and other banks that have elected to operate under this law are known as member banks. To make the credit of the country more available, the law provides that a member bank may, when its funds are fully employed in loans to its customers, take its commercial paper that has not longer than ninety days to run to the Federal Reserve Bank in its district and rediscount such paper. This gives the member bank more money which it can lend to its customers.

"This law further provides that promissory notes given for agricultural purposes and that have not longer than six months to run may be rediscounted by the member banks. In other words, this law gives an advantage to the farmer over any other business undertaking.

"You will naturally ask, How does this new law affect a dealer in agricultural implements and is it of any advantage to me in my business?

"The answer is, it can be of great help to you if you will only take advantage of it; it will materially assist in putting your business more nearly on a cash basis and will also increase your profits.

"It is the practice of many implement dealers in selling agricultural implements, twine, repair parts, etc., to responsible farmers to carry open accounts with the farmers on their books. A large percentage of such sales is made before harvest time and the farmer asks that payment of the account be deferred until after harvest. If, at the time a sale is made, instead of opening an account on your books with the farmer, you were to take his note for the indebtedness, you would not be obliged to carry the book account and thus finance the farmer. Assuming that the farmer's note is good—and no dealer can afford to extend credit unless the farmer is responsible—you can take it to your bank, discount it and thus get the money immediately.

"If the bank with which you do your business is a member bank it has the right to send these notes to the Federal Reserve Bank in its district and rediscount them. This gives your local banker more money to lend to his customers. If your local banker is not a mem-

ber bank, there is little doubt that one or more of his correspondents in larger cities is, and he, thereby, can obtain the same facilities for rediscount as a member bank enjoys.

"There should be no objection on the part of your farmer customer to signing a note at the time his purchase is made. The mere fact of signing a note does not create any more obligation on the farmer than exists through an open account on your books.

"Your action in discounting the farmer's paper should give you sufficient cash with which to take advantage of the trade discounts offered by this company and thus enable you to make a larger margin of profit on the goods you sell than you now make by carrying an open account against your farmer customer, waiting to receive payment from him before you settle your account with this company. Bear in mind that experienced bankers will not make loans on book accounts, but will readily discount good agricultural notes."

By this beneficent process of turning the farmer's note into money through rediscounting it, the implement dealer increases his profits, the bank has more to lend to his customers, and the farmer does not increase his obligation beyond what it was under the practice of buying on open account.

Nevertheless there is inflation in this process. Through rediscounting the bank has more money to lend, the implement dealer makes more, and the very fact that the bank can so easily pass the farmer's six-months' note along to the Federal Reserve Bank adds to its readiness to expand loans.

The whole magical transformation of the farmer's book account into "agricultural commercial paper" comes about through his signing a note for six months, handing it over to the local implement dealer, who passes it on to his bank, the latter in turn rediscounting it at the nearest Federal Reserve Bank, which may again get it rediscounted through some other Federal Reserve Bank.

This is all of advantage to the bank, the implement dealer, the International Harvester Company and possibly of some slight advantage even to the farmer himself, but what will be the result upon the community from this vast addition to bank credit and the overtrading which it will tend to encourage?

The Campaign For National Preparedness—How the Bankers Look At It

Remember that it is a great deal better to prepare and not have war, than it is to have war and not be prepared.—MAJOR-GENERAL LEONARD WOOD.

UPON invitation from the editor of THE BANKERS MAGAZINE, a number of representative bankers of the United States have kindly expressed their views regarding the campaign now going on for national preparedness. Some of these views appear below, and others will be published later on.

E. D. HULBERT

President Merchants Loan and Trust Company, Chicago.

"This war has converted me to the plan of compulsory military training for young men, not so much for war purposes as for the physical training and discipline. I am strongly in favor of a larger navy and a larger standing army."

MILLS B. LANE

President Citizens and Southern Bank, Savannah, Georgia.

"I am heartily in favor of this country being prepared, and think we should without delay proceed with the building of a sufficient number of warships of all kinds until we have a navy second to none. Our coast fortifications should be reinforced and properly manned, and we should be supplied with the very latest aeroplane protection; but I am not in favor of any large standing army to be maintained throughout the United States at a heavy expense to all. In my opinion, our public schools should be encouraged in military training, and our local militia should be encouraged in every possible way."

JAMES K. LYNCH

Vice-President First National Bank, San Francisco.

Replying to your letter of the 17th inst., I believe in preparedness, and as the first and most necessary part of the preparation, the increase of our navy to an adequate size, which, with much larger appropriations than have as yet been authorized, will take a number of years to accomplish.

Second—The increase of the regular army to such figures as those best informed, the general officers of the army, consider necessary. In my own mind I would fix the upper limit at 500,000 men, probably a smaller number than this would be sufficient.

Third—Military training for all the boys who are physically capable of bearing arms, so that a war, if it comes. will be the business of the entire country and not of the small professional army. Military training will be good for the boys, mentally and physically, and in a republic there is no reason why any one should be exempt from this service. As I heard the matter very well stated, there is no more reason why a class should be selected to bear arms than that a class should be selected to pay the taxes; none of us want to do either but it is something that must be done. The last part of the program would necessarily take many years to bring about, but a beginning should be made. I would not expect that the entire country should be turned into a military camp, but that every boy with his schooling should have military training and that at stated intervals he would

turn out for drill and practice of the kind that would make him a real soldier. When the country is once in this position it will never have a war, and its name will be respected abroad as it is not now.

Regarding industrial preparedness, I believe that with a reasonable amount of encouragement from the Government this will take care of itself.

H. S. McKee

Cashier National Bank of California, Los Angeles.

I believe every rational person in the country wants adequate provision made for defense, and the cost of it would be trifling, compared to the cost and consequences of our being involved in war without such defense. The only question is, the measures to be adopted. We have at Washington, in the general staff of the army and the general board of the navy, the only body of men, I believe, who are thoroughly qualified to present satisfactory recommendations on this subject. It is their life work and they thoroughly understand it. For political reasons they are never heard. They are the most highly trained and intelligent body of men existing in America, with reference to this subject.

My view, therefore, of the steps to be taken is that instant and strong pressure ought to be put upon the Congress at Washington to carry out in full the plans and recommendations, whatever they are ,of the general staff of the army and the general board of the navy. I believe that if the public voice is heard loud enough this will be the result, and it will be the only satisfactory way of solving this otherwise very complex problem.

W. T. Fenton

Vice-President National Bank of the Republic, Chicago.

I have read a great deal about preparedness, especially since the President's swing around the circle, and I have talked quite a good deal about preparedness, but I must make the humiliating confession that I am wholly unprepared to write an article on that subject that would be of any interest to you, or to the public which you serve. I want you to know that I greatly appreciate the compliment that is implied in your letter, asking me to give you an article on this important subject.

Illinois Bankers Association

At the instance of President Woodruff the Illinois Bankers Association has made a poll of its members, the results of which are summarized in the following letter sent to Hon. James R. Mann at Washington:

"As indicative of the intelligent, sober judgment of the Central West, we call your attention to what we believe to be the first poll with respect to the subject of national preparedness, which has been fairly taken by a representative organization covering a wide area.

"The poll is particularly significant as the majority of the members of the association are small institutions owned and controlled by local farmers and business men, intimately in touch with the sentiment of the public they serve, and for the further reason that the poll was taken without making any reference to the present international situation, the urgent need for better defense or an appeal to patriotism.

"The non partisan character of the inquiry and the intimate relationship between the men in the small banks and the public justifies the assertion that the expression is that of public opinion in the agricultural, industrial and other communities in which the banks are located.

"The details of the poll are shown in the following tabulation:

"Question No. 1.—Do you believe our navy should be enlarged and strengthened? 572 vote yes; 23 vote no.

"Question No. 2.—Do you believe our army should be enlarged and strengthened? 569 vote yes; 28 vote no.

"Question No. 3.—In adopting any plan for army and navy enlargement, do you believe that Congress should be guided by the recommendations of our

army and navy officers, who are experts on the subject of army and navy matters? 558 vote yes; 24 vote no. (16 qualify their answers by saying 'to a certain extent.')

"Emphatic comment as to the urgent need for action appears on numerous ballots, while opposed to this are several explanations of the votes against an increase. In only one case is reference made to international disarmament. The 'peace at any price' propaganda seems to have few, if any, adherents."

THE SPIRIT OF '76

[From a speech by George Sutherland, United States Senator from Utah, delivered in the Senate March 7.]

Mr. President, I for one am becoming sick and tired of the spineless policy of retreat and scuttle—the policy that, among other things, has ordered our people to abandon their rights in Mexico and that has made us flee our plain duty in the Philippines. Instead of forever telling our citizens to run, I should like for once to hear somebody bid them stand, with the assurance that their Government will stand with them. Instead of warning our own people to exercise their rights at their peril, I would like to see issued a warning to other people to interfere with these rights at their peril. The danger of it all is that by this policy of always backing down instead of backing up we shall encourage an increased encroachment upon our rights until we shall finally be driven into a crisis from which nothing but war can extricate us.

The Argentine Republic as a Field for American Capital and Enterprise

By CARLOS A. TORNQUIST

[Since the outbreak of hostilities in Europe the countries of South America, hitherto accustomed to look to that quarter of the world for their capital and as a principal outlet for their products, are now turning more and more to the United States. The Argentine Republic, it is believed, offers a particularly attractive field for American capital and enterprise. In this issue THE BANKERS MAGAZINE publishes the first of a series of articles on The Argentine, by Carlos A. Tornquist, of the firm of Ernesto Tornquist & Co., Ltd., Buenos Aires.—Editor.]

THE outbreak of the European war surprised the Argentine Republic at a time when it was beginning to recover, but was still suffering from an economic and commercial crisis in consequence of a prolonged period of unprecedented prosperity which had brought about excessive importations and unduly inflated land values.

Being a debtor country, with proportionately heavy liabilities, and having become accustomed to imports of fresh capital, which in the last three years before the war had averaged $200,000,000, it felt the state of war acutely, for loans were called in, credits were cancelled, and the supply of fresh money from Europe was suddenly cut off.

Last but not least, the system of financing the imports, which provided three to six months' credit after arrival of the goods, broke down completely.

In such circumstances it was unavoidable that a good many firms failed to meet their engagements, which firms

would certainly have remained solvent if the people had not been broken. Fortunately the special measures decreed by the government to counteract the effect of the war (without including uncovered issues of currency or touching the gold reserve as has been done in other countries) proved efficient to prevent further serious trouble, in granting time for the realization of many valuable assets, and the gradual liquidation of many liabilities; and it is satisfactory to note that conditions are gradually returning to normality.

As a natural consequence of the distrust prevailing, and of the great advance in the price of most European products, which were further enhanced by the enormous rise in freight rates and insurance, and of the forced economy of the rich classes who had been consuming and importing large quantities of luxuries, the importation of all kinds of merchandise was considerably curtailed, and as Argentina's cereal crops were good, and most of her productions were in keen demand for Europe at good prices, the trade balance in her favor increased from:

> Gold, $42,717,290 for the first half year of 1914, to gold, $77,436,241 for the whole year of 1914.

And a further favorable balance of:

> Gold, $331,387,910 was registered for the twelve months of 1915.

These figures show at a glance the importance of the country's resources, and their influence is naturally normalizing the industrial and commercial situation of the country which is on the eve of a new era of prosperity; better reorganized, wealthier, and, above all, with a good store of experience acquired during these years of difficulties.

Before entering upon a description of the country, and in order that North American readers may more fully appreciate the privileged position and prospects of the Argentine Republic, I shall compare it, in each of its most important phases, with their own and other similar countries. If my readers consider that this position has been reached in a country which forty years ago was one of the poorest, having only then started sowing cereals and forming herds of good cattle (the products of these two commodities make up to-day 90 per cent. of its total exports), they will realize the rapidity and magnitude of the country's progress, the great value of its resources, and the splendid possibilities of its future development.

POPULATION AND CHARACTER

THE great influx of Spanish and lately of Italian immigrants, of which there are in this country now in round figures 1,000,000 of each (out of a total population of 8,132,940) is forming a new Argentine type which will embrace the characteristic features of its three component elements: the honesty of the Spaniard, the working capacity and thrift of the Italian, and the cleverness and sharpness of the native. Besides, the modern Argentine has two other noteworthy qualities, viz: great facility of adaptation to the environment in which he lives and a great spirit of enterprise; these two qualities are also acquired by foreigners soon after they have settled in the country.

The specialty of the Argentine native is cattle-raising and fattening, while commerce and industry are mostly in the hands of foreigners.

The sons of the foreigners (with few exceptions) consider themselves (as in the United States) quite as Argentine as the descendants of old Spanish settlers and the descendants of the mixture of these two will be the man of the future in Argentina. We lack northern blood, Saxon races, of which the United States has such a large proportion and which has been so useful in developing the progressive qualities of the United States population, and in giving it at the same time that prudence and perseverance which are its characteristic features; but I am certain that time and education will do for us what Saxon blood has done for the North.

ARGENTINA'S MARVELOUS PROGRESS

I SHALL now show by means of a few figures the remarkably rapid progress realized by the Argentine Republic during the last twenty years. This progress is only second to, if not as astonishing as, that of some of the Central and Western States of the United States without taking into consideration the great benefit that the Argentine Republic is deriving and will continue to derive from the war, in the same way as the United States has always benefited by European wars.

Nevertheless, I must point out the following differences in favor of the Argentine Republic; while the United States supplies Europe not only with agricultural and animal products, but also with enormous quantities of ammunition and other war materials and industrial products, the Argentine confines her exports principally to cereals, meat, hides, quebracho, and wool, and will not therefore suffer from an industrial reaction after the war is over, as is predicted for the United States by many American business men.

The population of the Argentine Republic was:

In 1869	1,737,000
In 1895	3,956,000

And was estimated at the end of

1914 at 8,132,940

The city of Buenos Aires had in 1895 677,780, and the estimate for July 31, 1915, was 1,593,118.

According to the latest official statistics, the density of population is equal to:

7.1 per square mile in Argentina,

as against

31 per square mile for the United States
311 per square mile for Germany
178 per square mile for Denmark
191 per square mile for France
483 per square mile for Holland
382 per square mile for United Kingdom

There is thus ample room for immigration at a much more important rate than anything that has taken place so far.

In the last ten years we have had an average yearly immigration of 240,000, of which 45 per cent. returned home after the harvest. Of course, 1914-1915 will show exceptionally reduced figures, due to the war.

GOVERNMENT REVENUES

THE Argentine Government's total revenue was:

In 1895, gold, $38,223,808, equal to $9.60 per inhabitant; in 1914, gold, $149,845,030, equal to $18.42 per inhabitant.

and the public debt was:

In 1895, gold, $401,863,641, equal to $101.60 per inhabitant; in 1914, gold, $545,023,470, equal to $67.01 per inhabitant.

The latter figure compares as follows with the debt of other nations and colonies per head of inhabitants:

	Gold
United Kingdom	$200.00
Canada	47.00
Australia	273.00
New Zealand	377.25
South Africa	97.50
Uruguay	124.50
France	250.00
Germany	165.00

This cannot be compared with the debt of the United States which, for well-known reasons, is very small, compared with that of other countries.

RAILWAYS

THE first railway in the republic was built in 1857, of a length of 6.2 miles:

In 1870 the railway mileage was 600; in 1895 the railway mileage was 10,000.

To-day the network of railways in the whole republic measures 21,900 miles.

65 per cent. thereof is built with British capital.
25 per cent. thereof is built with French capital.
10 per cent. thereof is built with Argentine capital.

This includes the unsurpassed system of subway and street car lines in the city of Buenos Aires and represents:

1 kilometer per each 230 inhabitants against
1 kilometer per each 244 inhabitants in the United States.

The capital invested in the corresponding enterprises amounts to nearly: Gold, $1,400,000,000.

FOREIGN TRADE

Of the total amount of merchandise imported into the Argentine in 1913:

Gold, $130,886,587 came from U. K.
Gold, 71,311,628 came from Germany
Gold, 52,894,834 came from U. S.
Gold, 38,075,811 came from France
Gold, 34,789,741 came from Italy
Gold, 21,953,910 came from Belgium

The total amount of the foreign trade (imports and exports combined) was:

In 1895, gold $215,164,228, equal to $54.30 per inhabitant.
In 1915, gold $785,173,376, equal to $96.54 per inhabitant.

Argentine exports during the last twelve months have been: Over, gold $525,000,000—which represents $64.56 per head of population against United States $3,034 000,000—in the United States, which represents $31—per capita.

Argentine exports have been:

	Gold
In 1878	$37,000,000
In 1893	94,000,000
In 1903	220,000,000

COMPARATIVE TABLE SHOWING THE POSITION OF ARGENTINA IN THE FOREIGN TRADE OF THE WORLD PER HEAD

	Population	Year	Value of trade Gold $ in millions	Gold $ per head
Holland	6,114,302	1912	2,804.8	458
Belgium	7,571,387	1912	1,624.1	217
N. Zealand	1,025,160	1912	215.4	209
Switzerland	3,871,430	1913	660.3	175
Australia	4,802,174	1913	794.2	165
U. Kingdom	46,035,570	1913	7,076.9	154
Denmark	2,775,076	1913	393.3	141
Argentina	7,731,257	1913	904.8	118.8
Germany	64,925,993	1913	5,131.6	78
U. S. A.	97,028,497	1913	4,432.9	46

FOREIGN TRADE WITH UNITED STATES

It is interesting to note that during the year ending June 30, 1915, the United States imported from the Argentine Republic commodities to the value of United States $73,776,258, against an exportation to the Argentine Republic of only $32,549,666—while for the year ended June 30, 1914:

United States exported to Argentina, U. S. $45,179,000.
and imported from Argentine, U. S. $45,124,000,

which means a trade balance in favor of the Argentine Republic of over U. S. $40,000,000 for 1915, which did not exist in 1914.

The United State's chief purchases consist of:

	Gold
Hides	$21,105,875
Wool	18,000,000
Frozen beef	12,064,000

LIVE STOCK IN THE ARGENTINE

OFFICIAL ESTIMATE DEC. 31, 1913

Cattle	30,796,447
Sheep	81,485,149
Horses	9,366,455
Mules	583,965
Hogs	3,197,337
Goats	4,563,808
Asses	345,181

The herds of cattle compare with those of other countries as follows (total head):

British India:		
Cattle 97,713,292		
Buffaloes ... 22,944,789—	1911	120,658,081
United States	1912	56,527,000
Russia European (including Poland and North Caucasia)	1912	35,547,348
Argentine Republic	1913	30,796,447
Germany	1912	20,182,021
France	1912	14,705,900
Russia Asiatic (Siberia, The Steppes, Transcaucasia, and Turkestan)..	1912	13,348,888
United Kingdom	1912	11,874,594
Australia	1912	11,658,328
Austria	1910	9,160,009
Uruguay	1908	8,192,602
Canada	1912	6,953,700
Italy	1908	6,218,227
Hungary	1912	6,036,945

That the war is reducing most of the European herds very considerably cannot be doubted; and we scarcely need remind our readers that while it is an easy matter to reduce the herds of cattle and sheep, it is extremely difficult and slow to raise them again to their previous importance. The only remedy in such a case is large importation of frozen or chilled beef.

EXPORTS OF FROZEN AND CHILLED BEEF

PROGRESS of Argentine trade compared with the principal exporting countries:

QUANTITIES IN TONS

Years	Argentina	United States	Australia	New Zealand	Canada
1904....	97,744	135,829	17,817	9,241	1,343
1908....	180,814	91,203	18,457	17,991	1,022
1911....	312,834	19,214	49,172	29,002	440
1913....	366,229	3,327	68,454	13,252	710
1914....	430,000	.....	......	......	...

Frozen meat was exported from the Argentine for the first time in 1885.

The table of exportation of frozen and chilled meat is quite a revelation as showing to what an extent Europe already depends on the Argentine for her supply of meat.

While in the ten years from 1904 to 1913 the exports of meat from the States declined:

from 135,829 tons in 1904
to 3,327 tons in 1913

those from Argentine advanced:

from 97,744 tons in 1904
to 366,229 tons in 1913

and in the latter year were more than four times as large as all the shipments from the United States, Canada, Australia, and New Zealand put together, the United States importing more than they shipped.

There is every reason to believe that Europe will become in the near future even more dependent than she is at present upon Argentina for her supply of meat, this being the only country (with the exception of some British colonies) which, owing to its relatively small population, can afford to export so large a proportion of its herds.

AGRICULTURE

THE cultivated area in the whole republic was:

	Acres
In 1872.................	1,433,238
In 1895.................	12,187,475
In 1914.................	59,533,064

which represents 7.32 acres per capita of population, against in the United States 1914-1915, 258,850,623 acres, which represents 2.70 acres per capita of population, as per following detailed list herewith:

Cultures	Argentine Republic 1895 Acres	Argentine Republic 1914 Acres	U. S. A. 1914 Acres
Wheat	5,064,972	16,243,875	53,518,745
Linseed	957,116	4,396,952	1,884,217
Maize (corn)	3,074,503	10,260,007	103,392,002
Oats	95,444	3,087,145	38,426,020
Rye	134,858	418,481	2,539,943
Alfalfa	1,762,119	16,531,906	49,145,000
Tobacco	39,031	36,745	
Sugar	151,412	263,666	
Cotton	2,172	5,478	
Vineyards ..	82,681	262,480	
			Sundries 9,944,696
Monkey-nuts	33,298	63,001	
Potatoes ...	52,101	293,493	
Vegetables ..	58,217	141,841	
Peas	51,401	64,866	
Fruit trees..	504,658	1,718,774	
Other cultures	123,493	5,744,354	
Total	12,187,476	59,533,064	258,850,623

THE QUANTITIES EXPORTED WERE VALUED

	1885 Gold	1895 Gold	1913 Gold
Linseed	$3,471,305	$8,287,112	$49,910,201
Maize (corn)	3,957,191	10,193,338	112,292,394
Wheat	3,139,736	19,471,652	102,631,143
Oats	*......	228,875	20,447,278
Wheat flour	*......	1,882,366	7,224,029
Bran	*......	249,830	4,740,184
Quebracho logs	......	1,778,814	4,988,349
Quebracho extract ..	......	40,167	4,974,686
		$42,132,154	$307,208,264

*Only slight quantities exported then.

EXPORTATION OF THE PRINCIPAL AGRICULTURAL PRODUCTS (IN TONS)

Year	Wheat	Linseed	Maize (corn)	Oats
1883.....	60,755	23,062	18,634	......
1891.....	395,555	12,213	65,909	......
1901.....	904,289	338,828	1,112,290	2,225
1911.....	2,285,073	443,710	135,659	531,209
1915.....	2,448,724	995,090	4,331,311	591,212

INDUSTRIES

THE industrial development of the Argentine is best shown by some figures taken from the census of 1910:

Of which in the city of Buenos Aires—

Number of establishments:

31,988	11,132

Capital:

———Gold———

$ 315 millions	$ 230 millions

Annual sales:

———Gold———

$ 535 millions	$ 330 millions

against United States of America (1910):

268,491 establishments

U. S. $ 18.420 millions capital

U. S. $ 20,672 millions annual sales.

I must observe that this is the Argentine Republic's weakness, as its capital and enterprise are principally devoted to cattle rearing and agriculture.

Shipping facilities between the American antipodes are not as good as could be wished, but it is to be hoped that the mercantile marine devoted to this trade will develop in the near future.

For President of the American Institute of Banking

AT a meeting of Los Angeles Chapter, American Institute of Banking, the following resolutions were adopted:

WHEREAS, During the period since the Convention of the American Institute of Banking at San Francisco the name of E. G. McWilliam has frequently been mentioned as a possible candidate for the presidency of the institute, and;

WHEREAS, The president of Los Angeles Chapter is in receipt of letters from prominent members of the institute, located in New York, Philadelphia, Milwaukee, New Orleans, San Francisco, and elewhere, urging the candidacy of Mr. McWilliam, and;

WHEREAS, Mr. McWilliam has demonstrated his fitness for the office of president of the American Institute of Banking by his service as president of New York Chapter and in various other capacities in that chapter; by his services as chairman of committees of the institute, and by his services to Los Angeles Chapter, now therefore be it,

RESOLVED, That at the 1916 convention to be held in Cincinnati, the name of E. G. McWilliam of Los Angeles be placed in nomination for the office of president of the American Institute of Banking, and be it further,

RESOLVED, That the president of the Los Angeles Chapter be instructed to appoint committees and take such further action as may be deemed necessary to solicit for Mr. McWilliam's candidacy the favorable consideration and support of all chapters of the institute.

London Acceptances and Their Creators

By A BRITISH BANK OFFICIAL

IN writing anything for American readers on that phase of British banking which is the subject of this present article, it is almost impossible to plunge straightway into a dissertation on the actual question itself, as some introduction is necessary to those on the other side of the Atlantic from the writer and who naturally are not so conversant with the evolution of British banking as with that of American banking.

The great banking institutions of this country are the joint stock banks, each with a network of branches spread over that part of the country which they set out to serve. They are the lineal descendants, if I may so call them, of the first bankers this country had—the goldsmiths, silversmiths and jewellers. These were followed by the private banks which in turn have been absorbed by the joint stock banks. They succeeded therefore to the goodwill of business which was for the most part insular and internal, and that they did not branch out with the object of securing for themselves the financial handling of the growing overseas commerce of this country at the psychological moment is but one more condemnation of that insularity which is perhaps the chief fault that can be laid definitely to our charge. The fact remains, however, that the great banks did not cater for, and therefore to a large extent did not secure the business of financing our export and import business. Be it noted they of course acted as bankers to the firms engaged in the overseas trade; that they could not avoid, but their officers were not conversant with the foreign exchange business, they could not help the importer or exporter with suggestions as to the best mode that he should adopt in financing his shipments, with the very natural consequence that soon a type of banking-house began to spring up in the sacred square mile of the City of London which we now call en masse "the accepting houses." At this point then we can come to a more definite survey of my subject.

IT will be apparent from the foregoing that London acceptance will not for the most part bear the names of the joint stock banks, and I may here quote words used by Mr. Hartley Withers—an acknowledged writer of great repute in this country—in his book on "Money Changing":

"Almost all the chief English accepting houses have foreign names and have been established by strangers within our gates."

A glance at the bill portfolio of any of the big London bankers—for if they are not acceptors in a large way they are generally big holders of bills, for it is a form of liquid investment which is very popular—would have gone far before the war to confirm the assertion quoted above, though even then things were changing. Many of the joint stock banks had gradually acquired a personnel capable of dealing with foreign banking business and had established "foreign branches" of their own in London. To mention just a few: Lloyds

Bank, Ltd.; the London County and Westminster Bank, Ltd.; the London and South Western Bank, Ltd.; Barclay & Co., Ltd., and the London City and Midland Bank, Ltd., had opened such branches, and their success has been far beyond all expectations. They have indeed, in some cases, gone further and the three first-named banks have established allied institutions in Paris, i. e., branch banks in reality, but separate capitalized concerns to comply with French law. The rapid growth of our great Colonial and Eastern banks has brought those institutions into the circle of large acceptance creators. The fact remains, however, that the foreign houses in London had acquired before the war a definite and decided "place in the sun" as far as acceptances are concerned, and they had built up their business so well and so solidly that their names to bills took them straight through to the sacrosanct department of "first-class paper." A short survey of how their acceptances are created will not be amiss.

IT may first of all be said then that London acceptances were created by the accepting houses in large numbers both in respect of exports and imports; the circumstances under which such acceptance is given and the necessary credit previously established can be put in a few words and perhaps best by giving examples. Let us suppose a buyer in London has purchased French wine from a merchant in the Champagne district. He could liquidate his indebtedness (1) by mailing to the seller a draft in currency or sterling; (2) by opening a documentary credit in seller's favor, say in Paris, or (3) by opening a credit with a London bank for payment or acceptance of invoice amount against full documents, the intermediary, of course, being his own French banker. In this article I am concerned with the last-named method only, which is responsible for the creation of much first-class paper. The terms agreed between buyer and seller may have stipulated for 30, 60, 90 or even 120 days' credit and the tenor of the bill drawn on the London house will be of a corresponding currency. The London houses will detach all documents on acceptance of the draft as it is the custom to allow banks and banking-houses to do so. They will debit their client with the amount of the acceptance together with the charge made for the transaction at maturity and the question of delivery of documents to him is a matter resting between the London bank and its client. Security may or may not be demanded, but that need not be discussed here.

The reason for so much of this "reimbursement credit" business going to the foreign banks or accepting houses in London was that they were always willing and able to afford the best advice to the trader here, and furthermore did not insist before opening such a credit on collateral security (which might be the retention of idle funds on the operative account) being put up to the full amount by the grantee of the credit. If a half or even a quarter of the amount of the credit was covered by some sort of security the accepting house was content to run the risk of the uncovered portion. The big "domestic" joint stock banks appeared to discourage any applications for such credits unless they were fully covered. Naturally the result was that the business, like the Levite, went by them on the other side. These remarks apply more particularly when the client who applied for the credit was a merchant, but even in the contra case of exporters—dealt with below—where the applicant, so far as the London bank is concerned, is a Continental bank, the question of security was a severe restriction on business between the joint stock banks and Continental institutions.

Our exports, too, as I have said above, are the occasion for the creation of London acceptances on a large scale, for the foreign buyer very frequently requests his local bank to open an acceptance credit with its London corre-

spondents. The modus operandi is as follows:

The buyer's local bank—say in Bordeaux, France—requests the Credit Lyonnais in that town to instruct their London office to open a credit in favor of the seller in England. On receipt of particulars of the credit the Credit Lyonnais, London, advises the person favored that they are prepared to accept his bill on them at 30, 60 or 90 days' sight, according to the terms of the credit, accompanied by invoices, a full set of shipping documents to order, endorsed in blank, and the requisite insurance documents.

There certainly are great advantages in this form of credit established in the seller's own country. In the first place, the seller is certain of his money, the credit being generally "without recourse," and also he gets it in a readily available form, for the acceptance of a good banking-house is treated as first-class paper by his local bank which will discount it for him at a fine rate if he requires the use of his money before the maturity of the draft. Another point is that the seller has a bank in London interested in his shipment, which will give him any advice concerning it which he may require, and finally, should there be any irregularity in the documents appertaining to the shipment or variation from terms of the credit, it is brought to light at once on presentation to the London banking-house instead of as in the case of their being forwarded to the buyer's country, when there is a loss of time and inconvenience to both parties to the transaction, if the documents are not in order when they arrive.

I HAVE dealt so far with acceptances which are directly concerned with specific shipments of goods to or from Great Britain. The demand for settlement in London, however, has grown to be such a world-wide practice, making the capital of the British Empire the financial clearing-house of the world, that not a tithe of the acceptances current on the London market are the outcome of shipments to or from the shores of Britain. Though doubtless the practice is thoroughly understood by American readers, I may give one or two examples. Suppose a New York house sells a shipment of machinery to a firm in Buenos Aires, the probabilities are that to settle the transaction the latter will buy from the London and River Plate Bank, Ltd., or the Anglo-South American Bank, Ltd., in Buenos Aires a sight, 30 days' or 60 days' sight draft on their London office and remit it to the sellers in New York. Let us suppose further that there is a shipment of, say, butter, in the reverse direction—from Buenos Aires to New York. In settlement, the New York buyer will remit a London draft to his supplier who in turn will have it collected through his bank. I have taken the simple case of shipments both ways—Buenos Aires to New York and vice versa—to show how the banks that sell the London drafts get their cover. Obviously they cannot go on drawing indefinitely on their London offices without obtaining cover to remit. This they obtain by buying exporters' drafts on London received from their clients in other countries. The problem of cover is not always so simple, but I do not propose entering into that question here except in so far as readers can glean some insight into it from another example where the covering transaction actually concerns commodities shipped to Britain. Australia's exports are mainly produce of which the chief are wheat and wool. The former is exported in gunny bags (made of jute) which are purchased in huge quantities from manufacturers in India and Japan. To finance the transactions with those two countries acceptance credits are established with London offices of the Australian banks and confirmed by the Australian branches to the native banks in India and Japan. The manufacturer draws his draft on the London bank at the usance stipulated in his credit, attaches his documents thereto and sells it to the native bank which

sends the draft, with one set of the documents attached, to London for acceptance; the remaining documents being sent to Australia to clear the goods on arrival. The cover for these transactions is provided by the proceeds of the wheat and wool shipped to London and sold there, the banks financing the whole business from start to finish. Here again is another aspect of the character in which London acts an an entrepot for finance and that on which all finance ultimately depends—primary produce—for much of the wheat and wool from Australia sold in London is lifted by Continental and American buyers.

THE last category of London acceptances of any importance is one with which American banking readers are quite familiar, as it is a feature of the regular exchange operations between our two countries. I refer to what is known as "finance paper." Our great joint stock banks, though they have been slow perhaps to grasp the potentialities of the business which the accepting houses were doing, have certainly appreciated the profit to be made out of lending their names. Thus there is generally a considerable amount of paper current on the London discount market, which has no direct reference to particular trade transactions. American banks of high standing often enter into some such arrangement with a London bank as the following: The American bank deposits certain securities—which may form part of its capital investments—with the bank here in London. When the long bill rate on London is favorable they may drawn on their correspondent here at 30, 60 or 90 days' sight and sell the paper in New York. The London banker is advised of the issue of the drafts, probably over the wires, and accepts them on presentation, charging the New York banker a commission of 1/8 per cent. 3/16 per cent, or perhaps in some cases as much as 1/4 per cent. The rate will vary, of course, according to the nature of the security deposited and the value of the other business connections existing between the two parties to the contract. Cover at maturity may be obtained in a variety of ways by the New York drawer: he may repeat the transaction, discount the fresh bills in New York and with the proceeds buy London cover and remit here; he may have funds accumulated in London bought in the interval or have New York funds available with which to purchase London cover. Probably, however, the New York bank repeats the transaction; it may indeed have a whole series of London acceptances current maturing at different dates since the London bank is often willing to accept bills to two or three times the value of the collateral security deposited—always presupposing, however, as will be obvious, that the drawing bank has an international reputation of the highest standing. The operation is sometimes varied to the extent that the New York bank has two and sometimes more accounts in London. They may, therefore, remit the bill to "A" Bank drawn on "B" Bank for discount, thus putting them in funds in London against which they can draw. Sometimes the arrangement is reciprocal, the New York bank drawing on the London bank and the latter on New York, though such cases are very rare, for, generally speaking, London only draws sight drafts on American bankers.

So far as "finance paper" is concerned I have taken the operations passing between New York and London as an example. Naturally, they do not comprise the whole of that class of business which London transacts, though they form a fairly large proportion of it. The principle entailed, however, is always the same; at certain seasons other countries have more need of London funds than at others, and they procure them partially in the manner indicated.

I HAVE dealt only with the broad lines of "how and why acceptances are created," as the details of the operations will be readily apparent to

those whose daily avocation is that of banking. Reviewing the matter as a whole, I would say that it is undesirable for the health of a banking community that "weak" acceptances should be current. In practice there is not much fear of that taking place, because the discount market has its finger always on that most delicate pulse—the standing of acceptors—and since the rule of banking the world over is that the rate of profit must be commensurate with the risk entailed, the discount rates for weak acceptances soon drive that class of paper out of the market. It is not a question of legislation but of the working of that unavoidable law of cause and effect—weak acceptance, heavy discount rate and consequent unprofitable business. There you have a sequence which cannot be cheated of its result. The essence of good finance is stability; the whole superstructure of credit is built up on mutual confidence and in no banking operation is it so necessary as in bank acceptances. In London we have specially-organized discount houses, whose sole and only business is the loaning of money and the discounting of bills, the two operations being largely interdependent. These houses discount bills on a large scale—bank paper as well as trade paper with good names—which they deposit with banks whose practice it is to loan their spare funds to these houses either at call or at very short notice. This same money which the discount houses thus procure they in turn lend to other banks that happen to be short of funds, the difference between the rates allowed to the first bank and obtained from the second constituting their profit. The turnover of such houses is often very large indeed.

The whole of the subject under review is an intensely interesting phase of British banking and volumes have been and could still be written if one were to enter into any detail as to the "why and wherefore" of many questions that naturally arise in a cursory review. I trust, however, that I have succeeded in giving a succinct summary of the subject; if I have, I have achieved my purpose.

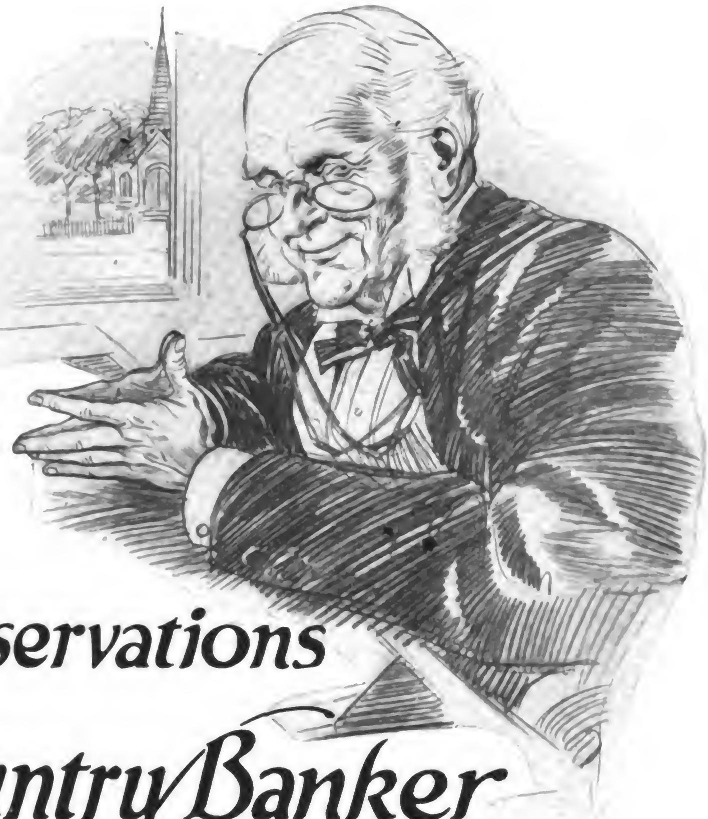
W. E. Crozier.

London, April 3, 1916.

Rural Credits

EXTENDED criticism of the Hollis Rural Credits Bill is made in a statement recently made public by Hon. Myron J. Herrick of Ohio. Governor Herrick declares that the Hollis Bill is defective and does not present a workable plan. He makes the following proposals:

"Instead of passing a special act for utilizing the cash and credit of the United States, and for creating a centralized system composed of such incompatible elements as public banks, capitalistic companies, and co-operative associations, it would be better for Congress to pass a law, general in its nature (like the National Banking Act), under which plural competitive companies might be formed for granting loans to any class of landowners selected by their charters. The specific essentials of such a law are few and simple, their purpose being to regulate bond issues, enforce rigid supervision, and safeguard borrowers from oppression and investors from losses, and to require enough capital stock to assure a strong financial standing. Inasmuch as farm loans are more expensive to make than other kinds of loans, it might be advisable to exempt from taxation all farm mortgages when used as security for bonds. But special legislation should not go beyond this favor, until a fair trial had proved that properly regulated and officially supervised companies, operating on correct principles, were not able to find the farmers all the money they need at long-term and reasonable interest rates."



Observations of a Country Banker

By W. LIVINGSTON LARNED

I HEAR some business men say that "The world is getting worse every day." Before they quit talking, I have to excuse myself long enough to show a stranger how to start his bank account. More men are SAVING now that ever—that's a sign the world is getting BETTER.

I HAVE a friend over in West Hampton....he has made a success of a modest little bank, patronized mostly by farmers. They raise their crops and run right to cover with the money, knowing that Winters are purty hard in that section of the country. "What ever started you in the banking business?" I inquired of my friend one morning, as we stood talking in front of his place. He thought for a minute, rubbed his chin and replied: "Well, Henry, I think it was watching a squirrel carrying nuts to a hole in an old oak."

IT always interests me to study the advertising some banks run in their local papers. Organizations get the fool idea that because it's BANK advertising it must be super-dignified. As a matter of fact, it is as necessary to write HUMAN-INTEREST into Bank publicity as into a grocery store Ad.... more so, if anything. Big phrases and high-sounding generalities frighten lots of folks and make just as many suspicious. My experience with bank ad-

"This business of 'all going out and nothing coming in' is a lot worse for the chap who's pecking away at his bank account than it is for the bank itself."

vertising is primitive, I guess—Tell folks wholesome, instructive FACTS, and tell it to 'em just as you would if you were old friends, rehearsing Boyhood, before a fine log fire. If a word bigger than three syllables creeps into my advertising copy, I ask one of th' boys to run and get me a pair of grass shears.

OH! The wonder of our Country women!

I never cease to be proud of them, for the instinct that seems to MAKE them MAKE men more frugal. The saving sort are most generally the married sort....a good woman's mighty sweet influence is behind most bank accounts, whether you're willing to admit it, or not. I walk to the bank every morning, and I keep my eyes open doing it....I guess I pass the homes of a hundred men who put their trust and surplus in our bank. When the little village streets are warm with sunshine, and the sparrows are fussing in the tender green leaves of the elm trees, and a sort of beautiful blessing from heaven is resting over the town....there they are....in every garden....on porches, rocking babies....puttering around amongst growin' vegetables....always working....always working. We never give them credit for half they do. It's a true woman's natural born instinct to save up for a rainy day. The other sort never would amount to much, any way.

AND, speaking of the women folks ....their methods are heroic, at times. Necessity makes them the Mothers of some mighty peculiar tactics. For instance, there is the case of Old Ren Martindale. Ren has lived in the village ever since he was a boy. His grandfather was the original owner of the Star Clothing Company. They never had any children, and I think that had something to do with the way Ren ran through the profits his store made. He would spin over to the County seat behind that fast mare of his and not come back from the races 'till every cent he had taken along was gone. Talking to him did no good. "Why don't you put some of your money in the bank, Ren," I once said to him; "you'll be too old for earning, sooner or later." "What's the use of my saving and having a bank account?" he'd answer. "Got nobody....no children..to leave it to. No, Sir-e-e....too fine a Poor Farm in this State for me to carry around a cheque book."

Guess what the wife of that deluded old dunce did....she deliberately

"When I hear of one of our town girls thinking o getting married I'm just commercial enough to find out if her beau has a bank account."

adopted three boys and then made Martindale begin to save, so as they wouldn't be left in want. And he did it. too; that's the romance of the story.

ONE of the big paper houses in a Western city sent us a highly-colored calendar. It was in about thirty colors and gold and pictured a pretty girl, with pink cheeks and roguish eyes. I hung it over the writing desk in the reception room. A deacon drew me aside one morning and reprimanded me for desecrating the sacred bank edifice. "What you got that purty picture up on your walls for?" said he.

"For the same reason I let in sunshine and want folks to laugh," I answered. "This banking business isn't a SERIOUS business....there's nothing graveyard-y about it."

You'd know him....he's th' sort that always whispers when he comes in to deposit ten dollars.

"WHAT'S the use of saving?" snorted an acquaintance of mine; "a man's children hurry up and squander the money as soon as he's dead and gone."

"No worse than YOUR squandering it when YOU'RE alive," I responded, "and if they happen NOT to be stung by th' spendin' bee, look what a smashing fine thing you've done for your next generation."

I CAN remember when the lot where our bank stands now was an old, neglected, shabby and no-good piece of property. Main street had not worked this far out in those days. Pigs wallowed in mud holes, not far from where the very foundations under our deposit vaults are laid. They used to throw trash here and nice folks dodged the district. Then Old Mr. Parkus bought it, fenced it off, cleaned it up a little and used it for storing lumber. A year later they took the fence down and Anderson had his contracting shack at one end whilst somebody with the town-beautiful bug planted geraniums and grass on what was left. And, all th' while, those elms out front were growing bigger and bigger and prettier and prettier, and birds sang in 'em and the

"I have seen great fortunes rise from a penny beginning. Our bank stands on a piece of ground that was a dirty little back yard only yesterday."

long, cool shadows were awfully inviting of a June afternoon. I guess it was Anderson's geraniums that made me pick out the lot for the bank. So here we are—a bog hole given over to the saving of money—the building of homes—the manufacture of happiness and love and all that goes with being temperate. Not a very sentimentally attractive story but it always sets me to thinking. Men start out with mussy little pennies—and those turn to dimes and the dimes turn to dollars and, finally, there's enough to build Hopes on, and Hope is a powerful fine edifice, I want to say right here. Money isn't attractive until there's enough of it to encourage a man to save still MORE.

NOT very long ago, when the War scare was extra lively, and it looked as if we'd be dragged into th' muss by our own shirt tail....and circumstances....Mr. B. B. Higgins came

rushing into my private office, as red and blustery as if he'd been stewing over a slow fire over night.

"Give it to me....give it to me.... QUICK!" shouts B. B., sinking into a chair.

"What in the world is ailing you, B. B.?" I demanded.

"I want my money and I want it in gold....all gold," he babbled, childishly.

"Do you realize," said I, "that if I gave you your deposits in gold, you'd have to cart it away in a line of sand trucks. Anything wrong, B. B.? Going to leave town suddenly? What's the idea?"

"War," said B. B.

And then I began to tumble.

He admitted he was afraid because of the War. He had some twisted notion that a sudden declaration of War would shrivel up his fat account, just as if it was so much parched corn. And then we had a good, substantial talk together, for I had known B. B. long enough to be frank with him.

"My dear friend," I declared, "here you have been saving money all these years, not because of the good, honest, business wisdom of the thing. You have saved as a miser saves....you LOVE your money and therefore miss fifty per cent. of the joy of banking it. I wouldn't care to see my bank fail, but really, B. B., I would almost go through with it, for the moral good it would do an old friend."

I must have made an impression.

He endowed a little local hospital the following week.

LITTLE Mrs. Henry Pecham, whose husband was lost in the saw mill fire last spring, stood in the reception room, just outside my door, for fully twenty minutes the other day. She never said a word—just stood there, patiently, rubbing the ends of her black gloves methodically together.

"Want to see me, Mrs. Pecham?" I inquired, when I noticed her.

"If I might, yes, please," she answered, timidly.

She was so humbly about it, I got right up and hurried out to her.

"Why didn't you knock or let me know you were here?" I asked, making her take a seat inside.

"Oh, that wouldn't be polite or right and YOU the president of the bank—"

I put my hand on her shoulder and made her stop before she could say another word.

"Mrs. Pecham," said I, "even if I happen to be the president of a bank—

"Some people get the idea that a bank president's office is sacred and hallowed ground. It may be because I was born poor myself, but poor folks are the most welcome in my little establishment."

that shouldn't make me so MUCH worse than other folks. You are the Mother of five bully, strong, straight-going boys—and you was a sweet, good wife to Billy Pecham, in addition. Bank presidents seem mighty small and unimportant beside MOTHERS, Mrs. Pecham—I want you to remember THAT all the rest of your life."

Then I put on my hat and we walked through the village to her little cottage on Webster avenue, with all the Pecksniffs and Uriah Heeps watching us. I went back feeling twenty years younger in heart.

THERE'S nothing stingy about me; and Money is not my God, even if I DO happen to specialize in it, but

when a village girl I love and respect and am interested in, tells me she's engaged to a chap, I always look to see if he has an account. I breathe easier when I find they HAVE. That sort makes the best husbands most every time.

"MY pocketbook is MY bank."

That's what some men say.... principally young men.

A very heavy percentage of THOSE banks fail, I've noticed.

THE man who thinks of a NEW way to influence people to start NEW bank accounts, is MORE than a public benefactor—he should have the divine privilege of patenting the process.

I'M a great lover of light. We keep a goodly supply of gold in hand most all th' while, but God's sunshine, coming across th' Receiving Teller's desk, from a nearby window, seems more precious than anything they make at th' mint.

Talks About Checks

By J. W. G.

IDENTIFICATION

THE chief executive officer of one of the largest banks in Philadelphia said that the duties of a paying teller could be summed up in two words—"Don't talk." This advice may apply to some executive officers as well as tellers. There are times, however, when a teller must talk—a little. The famous case where Joseph Jefferson identified himself by calling for his dog Schneider is not often repeated. A teller often has to explain to customers just what is meant by identification, and this is not an easy thing to do; as, for instance, when the teller told a lady he did not know her and she replied, "Neither do I know you, and I have no desire to make the acquaintance of such an impertinent upstart as you are."

Identification is sometimes a matter of considerable importance; at others only a perfunctory act of little consequence. When the check or draft is drawn by a well-known customer, in the bank it is sufficient for the teller to know that the party getting the money is the payee mentioned in the check, and the party identifying the payee assumes no special responsibility.

Suppose, however, the payee is of the same or a similar name but not the actual party for whom the check was intended, does the introducer incur any responsibility? It would appear that he does not unless he endorses the check; and this, by the way, is one of the reasons why many tellers insist upon having the identifier endorse the check.

It is understood that ordinarily the party identifying the payee—without endorsing the check—assumes no responsibility as to the signature, date or amount of the check. These are matters which the teller having the check in his possession must determine. The law seems to be that the bank must follow the directions of the drawer of a check or draft, and when such directions are explicit and unquestionable, is responsible if it does not comply with them.

Suppose John Jones comes in with a check drawn by a good customer, but for an unusual amount; the teller knows John Jones, but he is a suspicious character. Has he the right to withhold payment until the drawer can be communicated with, or can Jones protest it at once and bring suit on the dishonored paper? It is probable that the bank is responsible if it fails to follow the directions of the drawer if they are unmistakable.

CHECK PAYABLE TO BEARER

HAS a teller the right to withhold under any conditions the payment of a bona fide check payable to bearer? Probably not. Suppose a check is payable to bearer, can a teller insist upon having the holder's endorsement—as is the custom of many banks? A holder under such circumstances is fully justified in refusing to endorse a check and can unquestionably hold the bank responsible if it refuses to pay.

Suppose a check or draft is made payable to John Jones, need John Jones, if perfectly well known to the teller, endorse it? There is no mistaking the drawer's intent, which was that the money be paid to John Jones. It would seem that the bank would be responsible if it failed to cash the check for Mr. Jones. The average check, however, has the word "order" printed in it, and at times the little word is of considerable importance. If preceded or followed by the word "order" there is no question about the bearer or payee being compelled to endorse it.

It has become quite common for banks to have at their customers' desk what is called "counter checks" upon which are printed such words as "not negotiable," "payable to myself only," "not to be used outside the bank," etc., etc., but it is conceded that these conditions are only rules of the bank which are superseded by the general law that a bank must follow the instructions of the drawer of a check when it is unmistakable, whether it is written on birch bark or sweetly-scented note paper.

Supposing a man purporting to be John Jones comes in the bank accompanied by a boy, hatless and coatless, whom you know as the errand boy of a customer, and shouts out: "This is Mr. Jones; the boss says it's all right." Would you be justified in cashing the check? If you did cash it and it turned out that the man was not John Jones at all, what could be done about it, assuming that the drawer of the check refused all responsibility? Surely he would not be held liable.

Many tellers, especially in the larger city banks, do not certify small checks but throw out the money to the holder without identification, while in many small banks the tellers will certify the smaller checks rather than take chances with strangers, or else put them to a lot of trouble to be identified. As a rule there is only a trifling risk in paying a small check to a stranger who may identify himself by a business card or addressed envelope. It is not good policy for a bank to hold the teller responsible if he does cash a small check in such a way as to cause a loss to the bank. A bank with a reputation for courtesy and promptness is likely to outdistance the bank noted for being finniky and slow in small transactions. A case is reported where a well-known New York bank secured an account of $2,000,000, without interest, because of courtesy in a trifling transaction.

CASHING CHECKS ON OTHER BANKS

WHEN it comes to cashing checks on other banks that is another matter. The bank is of course under no obligation to anyone in such cases and can require any sort of identification, endorsement or surety it pleases. It is never safe to cash a check on another bank without getting the endorsement of an absolutely reliable party. There are so many things which may happen to a check: It may not be good; the drawer may die; it may be a forgery; it

may be raised; the date may be wrong; it may be lost in process of collection; the bank on which it is drawn may fail; previous endorsements may be forged; no consideration may invalidate it, etc., etc. Simply knowing that the party presenting it is the actual payee or that the drawer is perfectly good does not justify the cashing of a check on another bank without the endorsement of a perfectly reliable customer. In other words, the bank is not cashing it for the payee or holder—but for the indorser identifying the payee or holder even though the actual transaction is throwing out the cash to the party identified.

To sum up the whole matter: Don't talk; but size up the individual on the other side of the wicket—quietly and accurately.

Banks Pay Family Bills

TWO New Jersey banks, the Bank of Montclair and the Citizens National of Englewood, have adopted what is known as the multiple payment check plan, which enables the depositors of these banks, instead of writing fifteen to twenty-five, or more, checks, addressing an equal number of envelopes and spending half a dollar or more, on postage in paying the regular monthly bills, to simply write one check-voucher a month. This covers the total amount of the depositor's bills, and he mails or sends it to the bank, which will take care of all details, pay each item separately, and at the end of the month the original check-voucher is returned to the customer by the bank, properly endorsed and cancelled, thus furnishing the customer with a complete record and receipt for all payments made that month. The multiple payment check has printed on it a list of all the principal business houses in town and the customer writes opposite each name the amount to be paid, then totals the items and fills in the check voucher for the total amount. On the stub portion, for his own convenience, he writes the name of each party to whom payment is made and thus in one transaction he gets a complete detailed record of all his payments for the month.

The Multiple Payment Cheque

Great advantage to the householder and merchant.

To successfully build up a bank account it is as necessary for you to keep a monthly household expense account as it is for the merchant or banker to know what it costs him to do business.

Pay all your monthly household bills at one time by writing just one "MULTIPLE PAYMENT CHEQUE."

To pay your grocery bill, fill in the amount of the bill in the dollar and cent column of the MULTIPLE PAYMENT CHEQUE opposite your grocer's name.

Treat all other bills for that month in the same way.

If you wish to pay someone whose name is not printed on the MULTIPLE CHEQUE, write the name and amount in the blank space in the last column.

Write the number and date of the MULTIPLE CHEQUE on each bill and file it away.

Add all the amounts together and put the total at the bottom of the last column.

Write the names of all those you are paying, on the stub, also the amount paid each opposite their name.

Add the amounts on the stub as a check against a possible error in figuring the MULTIPLE CHEQUE.

Fill in the total amount in the Cheque at the top of the MULTIPLE CHEQUE in the usual manner. Date, number and sign it. Also date and number both the stub and MULTIPLE CHEQUE to correspond. Sign the MULTIPLE CHEQUE at the bottom. Detach, from the stub, the Cheque and MULTIPLE CHEQUE and mail it to the Citizens National Bank, Englewood, New Jersey.

Send the stubs of ELECTRIC LIGHT, GAS, WATER and TELEPHONE bills with MULTIPLE PAYMENT CHEQUE.

THE BANK WILL PAY ALL THE BILLS FOR YOU.

THE CITIZENS NATIONAL BANK
ENGLEWOOD, N. J.

HOW THE CITIZENS NATIONAL ADVERTISED ITS MULTIPLE PAYMENT SERVICE

No.__________

Englewood, N. J.,____________________191__

THE CITIZENS NATIONAL BANK

Pay to the order of yourself $__________

____ **DOLLARS,**

and charge the same to my account, crediting the items as per the list below:

*Signature*____________________

Date________________ No.__________

Names	Dollars	Cents	Names	Dollars	Cents	Names	Dollars	Cents
Banta, J. D.			Hackensack Water Co.			Weidig, Philip M.		
Barrett-Palmer & Heal			Hickey & Baker			Wells Fargo & Co.		
Barstow, B. P.			Hunter, J. M.			Western Union		
Beck, William			Jamieson, Robert			Widen, D.		
Bessinger, William A.			Knickerbocker Country Club			Watson, David		
Bergendahl, F. W.			Klink, Joseph					
Bergendahl, H. G.			Lane, John J. Co.					
Binder, M.			Lange, John					
Birtwhistle & Livingston			Leacy, H. A.					
Blass, H. P.			Loewing Co.					
Bogert, Charles A.			Livingston, Robert					
Bogert, John V.			McMurtrie, W. E.					
Borden's Cond. Milk Co.			McQuaid Bros.					
Br[illegible] Bros.			McQuillin, R. J.					
Englewood Country Club			Tipping, Thomas, [illegible]					
Englewood M. L. & B. Ass'n			Tuttle Bros.					
Esslinger & McManus			Union Express & Freight Co.					
Flecke, B.			Valentine, C. W.					
Fox, T. L. & Co.			Varley, William P.					
Gorham, R. A., & Co.			Vineburg, Z. M.					
Gregory & Son			Weatherby, H., & Co.			Total		

PATENT PENDING

Pay the amounts to firms or individuals as indicated above and charge the same to my account.

*Signature*____________________

THE MULTIPLE PAYMENT CHECK WHICH ENABLES THE DEPOSITOR TO PAY ALL OF HIS BILLS IN ONE OPERATION

The use of the multiple payment check plan does not in any way interfere with the customer of the bank making use of his regular individual checking account for paying any items which for any reason he may desire to take care of himself. The plan is especially devised as the most convenient and economical form ever known for paying regular monthly household and other bills. It saves the customer stationery, postage, time and labor, all of which in the course of a year amount to a considerable item. It also introduces regularity and system, and, furthermore, gives the customer at a glance a very good general idea of what his cost of living amounts to month by month.

As the checks come in the various merchants to whom payments are made are notified by a multiple check deposit slip similar to the one illustrated herewith. At the same time a duplicate of this slip is sent through the bookkeeping department of the bank and accounts are credited accordingly. In case a firm receiving credit is not a depositor a signature card is sent and they are asked to open an account which in many cases they are ready to do.

J. B. Lewis, cashier of the Citizens National Bank of Englewood, sent out the following form-letter to merchants whose accounts had been credited through the multiple payment system. The letter served to explain both the system and its advantages to the payee:

We take pleasure in enclosing herewith list of amounts due you, which have been paid by your customers into this bank under the new "MULTIPLE PAYMENT CHEQUE" service, which many of our citizens have re-

cently adopted on account of the conveniences offered, and which you, or your wife, will perhaps wish to use.

You can withdraw this amount by checking against it at your pleasure. Therefore, we enclose one of our signature cards. Kindly sign and return to us, and on receipt of same, we will send you a supply of our cheques.

The itemized amounts have been authorized to be paid you by the above customers of this bank under the new "MULTIPLE PAYMENT CHEQUE" service. This presents your name in printed form to the notice of all in your city who pay their accounts by cheque, thus rendering you a substantial amount of advertising that costs you nothing.

This system benefits you as it encourages your customers to pay their bills regularly, systematically and promptly.

If this is not perfectly clear, will you not call me up personally, and I will be glad to explain.

Yours very truly,
J. B. Lewis,
Cashier.

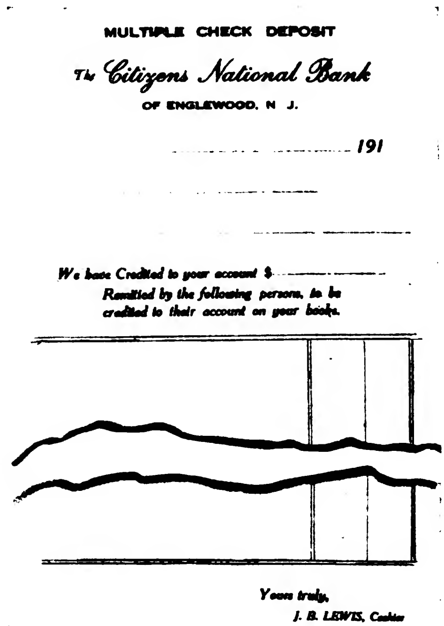
The advantages of the system for the convenient and efficient handling of household expenses are set forth clearly in the following letter which was sent to depositors and possible depositors by the Citizens National:

Mr. Depositor:—

Why write 15 to 25 cheques, address 15 to 25 envelopes, and spend perhaps 50 cents for postage in the payment of your monthly household bills, when, if you will write just one cheque a month, we will pay all your monthly bills for you. Open an account with the Citizens National Bank, which has the exclusive "MULTIPLE PAYMENT CHEQUE SERVICE" in Englewood, and learn how simple it it.

We enclose herewith a sample MULTIPLE PAYMENT CHEQUE. This cheque is filled out by you when you have received all your monthly bills, and then mailed by you to the Citizens National Bank. At the end of the month, the voucher is returned to you by the bank, and in filing it with the original stub, you have a complete record of all the payments made by you that month. To use a MULTIPLE PAYMENT CHEQUE, all you are required to do is to place opposite the printed name the amounts to be paid, then total the items and place the total amount at the top (in the cheque portion). On the stub portion, for your own convenience, write the names of each party you have paid and the amounts. Then mark on each of the various bills, "Paid by Cheque No. —, and the date of the date of the cheque." File the bills away, and the bank will do the rest.

The use of the MULTIPLE PAYMENT CHEQUE does not in any way interfere with your paying other accounts with the regular individual cheque, but it is especially devised as the most convenient form ever known for paying monthly household bills. It saves you stationery, postage, time


MULTIPLE CHECK DEPOSIT

The Citizens National Bank

OF ENGLEWOOD, N. J.

191

We have Credited to your account $

Remitted by the following persons, to be credited to their account on your books.

Yours truly,
J. B. LEWIS, Cashier

BY MEANS OF THIS SLIP MERCHANTS ARE INFORMED THAT THEIR ACCOUNTS HAVE BEEN CREDITED BY THE PAYMENTS OF THEIR CUSTOMERS. EACH CUSTOMER'S NAME IS LISTED TOGETHER WITH THE AMOUNTS WHICH HE HAS PAID THROUGH THE MULTIPLE CHECK

and labor, all of which in the course of a year amount to considerable. It also makes you practice regularity and system and tells you at a glance your cost of living for each month.

Send the stubs of electric light, gas, water and telephone bills with the MULTIPLE CHEQUE.

If you do not fully understand this plan, please call at our bank or telephone us, and let us explain it to you fully.

Yours very truly,
J. B. Lewis,
Cashier.

Banking and Commercial Law

CASE COMMENT AND REVIEW

National Bank Directors Held Personally Liable

THE recent case of John L. Bates, receiver, against Edwin Dresser and others in the U. S. Circuit Court for Massachusetts, awards one of the largest judgments ever given against a board of directors of a national bank for laxness in management, the judgment being for over $282,000 and costs. The action was brought by the receiver for the recovery of losses due to defalcations of John W. Coleman, a bookkeeper, which took place in a period extending from 1906 to 1910.

The judgment is given on the ground that the defendants as president and directors did not use due care in the management and supervision of the bank, and through their lack of care they failed to discover Coleman's misconduct in time to prevent the loss. The board of directors frequently met, with the usual proceedings of such bodies, and the bank was examined periodically by the national bank examiner, but the peculations were carried out and the books were manipulated in such a clever way that only a careful audit of the liabilities of the bank would have disclosed the wrongful entries.

The highest compensation received by Coleman was $12 a week. He grew up in the bank and served in various capacities, mixing in outside affairs, driving his car and leading a life that was subject to gossip. He lost the stolen funds gambling in stocks through a Boston brokerage office.

The president gave an hour or so a day to the bank, but along investment lines rather than in its detailed operations, and the cashier's duties were such that he could not or did not discover the shortage. The fluctuations in the deposits, through which the bogus transactions were put, was commented upon, and various rumors were brought to the attention of the officials without action, until the matter came to a climax.

This case is a reaffirmation of the rule well known in auditing circles, that the audit that does not check the deposit liabilities is no audit at all. The directors' examination was similar to the average director's audit, covered the proof of assets only, and no attempt was made to check the obligations of the bank, or to compare the book liabilities with the pass books of its depositors. More and more banks are entrusting the detailed audits of their accounts to public accountants, who usually verify all items from original sources, and through whom a defalcation is not liable to pass for any length of time. The proper auditing process, while expensive, is cheap at any price, if it detects a defalcation at its inception.

Ohio's Blue Sky Law Unconstitutional

IN keeping with previous decisions, the U. S. District Court of the Southern District of Ohio has held the so-called "Blue Sky Law" of that state invalid. This decision makes the sixth which has held such measures unconstitutional. In fact, in every state where such laws have been passed and put to the constitutional test they have failed. The validity of this act is challenged along the same lines as in other states; first, the violation of the commerce laws of the Federal Constitu-

tion; second, that it encroaches on the safety of property without due process of law and denies the equal protection of the law; third, that it delegates legislative and judicial power to an executive officer, in violation of the state constitution; and fourth, it is not a law of general nature and does not operate uniformly throughout the state as required by the state constitution.

Ill-advised legislatures have been seeking to protect the unwary investor from unwise investments by erratic measures which fail to conform to constitutional requirements. Such measures affect the free sale of good securities, and if the field of investment is to be open and fair, the restrictions imposed must not be such as to deprive good houses of their right to do business.

Who Owns the Wife's Savings?

WHO owns the wife's savings? Are they the exclusive property of the wife, or do they belong to husband and wife jointly? Where does the man come in?

Savings bank statistics show that a large proportion of accounts stand in the wife's name. Savings bank experience teaches that as a rule women do the banking, and observation shows that the woman is the saving element in the household. Courts of law are frequently asked to settle the question as to whom a deposit belongs when standing in the wife's name alone, it being established that the savings came out of the husband's earnings. Of course, if the wife has a separate income or a private business, the savings are her property and descend to her estate; but a different situation arises when the husband does, as many do, give the wife an allowance out of which she must bear certain household expenses, the rest being hers to do with as she may elect.

It might be argued that such savings are the wife's solely, by reason of the good management exercised. The husband may be said to hire the wife to run the house, paying her wages. If she is able to satisfy him and has a surplus, the better for her. On the other hand, it might be said by a cantankerous husband, that the wife did not earn her wage; that she did not properly run the house, or she would not have been in funds at the week end.

Frequently the husband has no knowledge of such savings until the wife dies, leaving a snug sum in the savings bank, and the courts are asked to settle a family quarrel. In some cases it has been decided that the saving has been at the expense of the husband, since he was deprived of pleasures he might have had; but on the other hand the wife, too, has contributed her share of sacrifice, and the first doctrine is not well founded. But the courts have at times so decided. Jersey justice is not so unfair, as has been demonstrated in a recent case, where the husband turned over his entire wages, less a little pocket money, to the wife. During a period of thirty-six years the wife amassed a considerable fortune, amounting to $21,000, all standing in her name. Then a quarrel ensued and the wife was sued, the husband claiming she had wronged him. Whether she feared he would squander the money or not, is not stated, but she banked it in her own name, and he could not get any part of it without her consent, and this was not forthcoming. The Vice-Chancellor heard the case and ruled broadly and humanely that each was entitled to half.

There are many other cases where a similar principle is involved. In some instances the wife has obtained the money without the husband's knowledge and deposited it in her name, fearing she would not be duly taken care of on the rainy day. The equitable way would seem to be to have the money in joint names, payable to either during life and the balance to the survivor, but this hinges upon the degree of confidence existing between the two, which confidence is often lacking. These questions are vital to the peace of fami-

lies, for money is always a factor in domestic peace, and should be agreed upon between the two as a business proposition, for marriage being a contract, all its details are either moral or legal obligations leading to much happiness if they go right, but to much misery if wrong.

Checks Taken From Check Book and Forged

THE relation between a bank and a depositor is that of debtor and creditor, and the law implies a contract on the part of the bank to disburse the money standing to the depositor's credit only upon his order and in conformity with his directions; no payments can be charged against a depositor by a bank unless made to such persons as the depositor directed.' Payments, therefore, made by a bank upon forged indorsements are at its peril, unless it can claim protection upon some principle of estoppel, or because of some negligence chargeable to the depositor.

Whether or not the depositor is guilty of negligence in the matter of forgery of a bank check is a question of evidence, and the cases are not numerous where the defense has been along this line.

Just how a check should be drawn to absolve the drawer from all liability, and what protecting device he must use to be absolutely safe, has not been judicially determined with weight enough to make it a settled rule of law.

In the current number we review a case where checks were abstracted from a checkbook and the attention of the depositor called to the abstraction by his bookkeeper. The depositor did not give notice to the bank of the theft of the blank checks and one was uttered in forgery and cashed by the bank and suit resulted. The court held the circumstances were not sufficient to place the burden upon the depositor, holding that such omission did not constitute negligence sufficient to put the charge of negligence up to a jury.

In charging the jury, the court laid down the rule of negligence as follows:

"Negligence means neglect to do those things dictated by ordinary business customs, prudence, and fair dealing, which would have prevented the wrong that resulted from that omission. Negligence means the omission to perform a duty, as well as the commission of an act which would be violative of a duty. * * * So that you want to take into consideration, in aproaching this question of negligence, the ability and the knowledge which the plaintiff had in reference to transacting business, so far as checks and the figuring of balances is concerned, and in using a checkbook, such as he did use, and the purpose for which he used it and otherwise, and then say whether or not the plaintiff used the ordinary degree of care which an ordinarily prudent person should have used or exercised, under the circumstances in question, in reference to this bank account. If he exercised that ordinary care and that ordinary degree of prudence which a person of ordinary prudence exercises, then he would not be guilty of negligence which contributed to the payment of a forged check.

"The question is whether the plaintiff exercised that ordinary degree of care which he should have exercised upon discovering it, and whether he should have taken some steps to have prevented the bank from paying the moneys upon those checks. In other words, you may not assume that the forgery (if you find that the check is a forgery) could have been perpetrated just as successfully by means of a form other than one of the missing blank forms. The question for you to decide is whether care and vigilance would have prevented what was actually done; not whether it would have prevented something that was not done in this case."

Leading Cases

Savings Bank Account

New York

Forgery—Care in Payment—Savings Bank Rules

Supreme Court, New York, Appellate Term, First Department, January 7, 1916

SCHNEIDER VS. UNION DIME SAVINGS BANK

Though the by-laws of a savings bank declared that all payments made to a person presenting a deposit book should be deemed made to the depositor, whether or not they had authority to withdraw the money, the savings bank is bound to exercise ordinary care to safeguard its depositors from payments made to persons unauthorized to receive them, though they present the deposit book.

Where the signature on an order presented by one who had possession of the depositor's savings bank passbook was such that one experienced in comparing handwriting would see it was not written in the same hand as the depositor's signature on file, a savings bank is negligent in making payment. (156 N. Y. Supp.)

ACTION by Joseph Schneider against the Union Dime Savings Bank. From a judgment for plaintiff and an order denying new trial, defendant appeals. Affirmed.

STATEMENT OF FACT AND OPINION

FINCH, J. This is an action by a depositor to recover from a savings bank a balance alleged to be still held on deposit. It appears from the evidence that before the bringing of this action the bank had paid $500 to a person presenting plaintiff's bank book and an order forged in his name. The bank charged plaintiff's account with this sum, and claims it should not be obliged to pay it again. The order on which payment was made was a forgery, and the only question which needs to be considered here is whether the bank was protected in making the payment.

The by-laws of the bank contain the usual regulation, which plaintiff was bound by, to the effect that all payments made to a person presenting a deposit book should be deemed to be made to the depositor, whether or not the latter gave that person authority to withdraw the money. The rule of law is well settled, however, that notwithstanding such a regulation the savings bank is bound to exercise ordinary care to safeguard its depositors from payments made to persons irregularly applying therefor, even though they present the depositors' passbook. Appleby vs. Erie Savings Bank, 62 N. Y. 12; Kummel vs. Germania Savings Bank, 127 N. Y. 488; Kelley vs. Buffalo Savings Bank, 180 N. Y. 171. The question to be decided in this case is whether the defendant's employes exercised ordinary care in failing to detect the fact that the order on which the $500 was paid was a forgery.

The order itself and the original signature card which plaintiff signed on opening the account are before the court, and the difference between the two signatures is such as to be apparent to a man experienced in comparing handwriting. While there is a certain similarity in the form of the letters, it takes no expert to recognize the great difference in the fluency with which they were written. On even a casual observation, the genuine signature discloses some skill and speed in writing, while the forgery appears like a labored product of a hand unaccustomed to the pen. Certainly the dissimilarity is sufficient to be apparent so as to put on his guard a person competent to hold the position of paying teller in a savings bank.

Moreover, plaintiff's expert, in addition to the reason quoted in the opinion of Mr. Justice Lehman holding that the signature to the order was a forgery, gave as reasons upon which the court

was fully warranted in basing its judgment the following:

"Then, when you take the standard signature, however, you find that the handwriting in the standards slants to the right of vertical, whereas the disputed signature is almost vertical; it is not quite vertical; but in the standards there is a decided slant to the right of vertical, and you find it is made with a fair degree of speed and without this patching process. There are a number of pen lifts in the genuine writings, and the disputed signature has those pen lifts and has seven or eight additional pen lifts that we do not find in the genuine signatures."

At the close of the trial, both parties having moved for a direction of a verdict, the court granted plaintiff's motion, and the judgment entered thereon should be affirmed, with costs.

Lehman, J. (concurring in part). The plaintiff on November 3, 1913, presented to the bank his deposit book and a draft for $822.64. The defendant refused to pay the draft, claiming that the plaintiff did not have that amount on deposit because on June 16th the bank had paid out $500, to some person presenting the plaintiff's bank book and an order for the sum of $500, which purported to be signed by the plaintiff.

For the purposes of this appeal, we must assume that the bank book was stolen from the plantiff's possession and plaintiff's name signed to the order. It appears further that the by-laws of the bank contain a regulation that:

"Depositors alone shall be responsible for the safeguarding of their books. And all payments made to persons producing the deposit books whether with or without an order or letter of attorney, purporting to be signed by the depositor shall be deemed good and valid payment to depositors respectively and shall fully discharge the bank therefrom."

The plaintiff assented to this regulation and is bound thereby. In the case of Appleby vs. Erie County Savings Bank, 62 N. Y. 12, the court stated:

"It is necessary and proper that rules and regulations shall be prescribed for the payment of money deposited in savings banks, and for the protection of the banks in making payments, and if such rules are within the restrictions of the act, and are reasonable, they should be upheld. They constitute, if properly communicated and assented to by the depositor, the contract between the parties. But these rules do not dispense with the exercise of ordinary care on the part * * * of the bank."

This statement of the law has been frequently cited with approval and undoubtedly represents the established law of this state. It follows that, since the defendant has made such a payment of $500 of plaintiff's account as the plaintiff agreed should constitute a good and valid payment to him, the plaintiff cannot recover this amount from the bank if the bank has exercised due care in making the payment.

The paying teller of the bank is dead, and consequently the bank is not in a position to produce testimony of the exact care used by him in making the payment. Obviously, however, wrongdoing or negligence is never presumed without some evidence. The evidence which the plaintiff claims established such negligence is the difference between the forged signature on the draft of $500, and the plaintiff's signature on file with the bank. In Appleby vs. Erie County Savings Bank, supra, the court said, in considering a similar claim:

"If the two signatures were so dissimilar as when compared the discrepancy would be easily and readily discovered by a person competent for the position, then the failure to discover it would be evidence of negligence which should have been passed upon by the jury. It would not be evidence of negligence if the difference was not marked and apparent, or if it would require a critical examination to detect it, and especially if the discrepancy was one as to which competent persons might honestly differ in opinion."

In this case there is no doubt but that the forged signature bears a very marked similarity to the true signature;

in fact, even at the trial the defendant produced several experts who testified that in their opinion it was a genuine signature.

The plaintiff's expert conceded practically that an ordinary man would not be able to see the difference, but he thought that a bank teller was not "an ordinary man," and "the line quality is so absolutely bad as to attract your attention at once, but so far as outline is concerned it does resemble it."

The mere fact that one expert differing with other experts testifies that the "line quality," or difference in slant, "should attract your attention at once," does not in my opinion raise a real issue of negligence, where upon inspection of the signatures themselves the dissimilarity in the signatures appears of such a character that no negligence can reasonably be predicated upon it.

At the close of the case, both sides moved for the direction of a verdict, and the learned trial justice directed a verdict for the plaintiff for the full amount. For the reasons given above, I think that this direction was erroneous, and that he should have directed a verdict only for the sum of $322.64, with interest.

Judgment should be reduced to that amount, and as modified affirmed, with costs to the appellant. (156 N. Y. Supp. 754.)

Savings Bank Payment

New York

Wrongful Payment—Forgery—Savings Bank Rules—Negligence.

Supreme Court of New York, Appellate Term. First Department. January 31, 1916.

M'KENNA VS. BOWERY SAVINGS BANK

Notwithstanding the rule of a savings bank that all payments to a person producing a deposit book shall be deemed good payments to the depositor, the savings bank is bound to exercise reasonable diligence and prudence in the payment of money to persons other than the depositor, and when facts are brought to the knowledge of the bank, calculated to excite suspicion, careful inquiry should be made.

Where the signature to a written order purporting to be signed by a depositor in a savings bank presented no striking discrepancies from the signature of the depositor on file, and inquiry would have revealed that the woman who presented the order and had possession of the deposit book was the wife of the depositor, the bank is not guilty of negligence in failing to make inquiries concerning and in paying the order; there being nothing to excite its suspicion.

(157 N. Y. Supp.)

ACTION by Hugh T. McKenna against the Bowery Savings Bank. From a judgment for plaintiff, defendant appeals. Reversed, and complaint dismissed.

STATEMENT OF FACT AND OPINION

GUY, J.: Defendant appeals from a judgment entered on the verdict in favor of plaintiff in an action brought to recover moneys deposited by plaintiff in the defendant savings bank, which the evidence showed had been paid out by defendant to a woman who presented plaintiff's passbook, and on drafts purporting to be signed by plaintiff, the signatures upon which drafts plaintiff testified were forgeries.

Plaintiff's wife, from whom he has since separated and to whom the payments were made, appeared as a witness for the defendant, and testified that the signatures to the orders were, in each instance, genuine signatures of the plaintiff, and that the orders were given by plaintiff to her for the purpose of obtaining payment thereof. Evidence was introduced by plaintiff seriously discrediting her character and credibility as a witness. On the question of the genuineness of the signatures there is sufficient evidence to support the finding of the jury that they were forgeries. Assuming, however, that the signatures were forgeries, the question is presented whether there was sufficient evidence of

negligence on the part of the defendant in paying moneys on such orders, to a person other than the plaintiff, to justify the submission of the question of defendant's negligence to the jury.

One of the rules of defendant savings bank, to which plaintiff subscribed upon becoming a depositor, provides that:

"All payments made to persons producing deposit books shall be deemed good and valid payments to depositors respectively."

It is well settled, however, that the existence of such a rule does not relieve the bank of the duty of exercising reasonable diligence and prudence in the payment of money to persons other than the depositor, and that:

"When facts and circumstances are brought to the knowledge of the bank at the time payments are made, which are calculated to and ought to excite suspicion and inquiry of ordinarily careful and prudent bank officials, it is the duty of the bank to institute such inquiry." Gearns vs. Bowery Savings Bank, 135 N. Y. 557.

See, also, Kelly vs. Buffalo Savings Bank, 88 App. Div. 375.

The determination of this question necessarily involves an examination of the alleged forged signatures and comparison of them with the genuine signature of the plaintiff then in the possession of the defendant bank. I am of the opinion, after a careful examination and comparison of the various exhibits, that instead of presenting marked discrepancies such as would would arouse suspicion in the mind of an ordinarily prudent and careful bank official, there is so striking a resemblance between the alleged forged signatures and the admitted genuine signature of the plaintiff as would tend to satisfy an ordinarily prudent man that the alleged forged signatures were genuine, rather than arouse any suspicion as to their genuineness. Depositors in savings banks are frequently possessed of little skill in penmanship, and the evidence establishes that such differences as existed between the alleged fraudulent signatures in the various exhibits and the genuine signature of the plaintiff are fewer and less marked than differences that ordinarily appear between admittedly genuine signatures among that class of depositors.

It is contended by the respondent that the mere fact that the passbook was presented by a person of different sex from the depositor, who was described on the books of the bank as a single man at the time of opening the account, was sufficient to arouse suspicion in the mind of an ordinarily prudent man, and, in the exercise of reasonable care and prudence, call for further investigation, and that in failing to make such further investigation the bank was guilty of negligence.

It is evident, however, that further inquiry, based on the depositor's previous statement that he was single, would but have resulted in the bank learning what is admitted to be the fact; that the person presenting the passbook was the wife of the plaintiff, then living with plaintiff, and the ascertainment of that fact would have tended to remove suspicion rather than to create it. Payment to a person of different sex from the depositor upon the mere presentation of the book, *unaccompanied by a written order purporting to be signed by the depositor,* or where the signature to the order, when compared with the genuine signature of the depositor in the possession of the bank, presents such discrepancies as would excite suspicion or cause inquiry on the part of an ordinarily prudent bank official, has been held to be evidence of negligence and to present a question for the decision of a jury. See Allen vs. Williamsburgh Savings Bank, 69 N. Y. 314.

But in the case at bar the presentation of the passbook was accompanied by the presentation of an order purporting to bear the signature of the depositor, which signature bore a striking resemblance to the genuine signature of the depositor then in the possession of the bank, and presented no such marked and apparent discrepancies as would, except perhaps in the hands of an expert in handwriting, cause suspicion or lead an ordinarily prudent

bank official to make further inquiry. "If there are no marked discrepancies, or if it would require a critical examination to detect them, and even if the evidence was such that competent persons might honestly differ in opinion in connection therewith, then it is not sufficient evidence of negligence to create an issue for the jury." Appleby vs. Erie County Savings Bank, 62 N. Y. 12. A mere difference in the signature does not require the submission of the case to the jury. Ferguson vs. Harlem Savings Bank, 43 Misc. Rep. 10, 86 N. Y. Supp. 825; Israel vs. Bowery Savings Bank, 9 Daly, 507. I am of the opinion, therefore, that plaintiff having failed to prove negligence on the part of the defendant, defendant's motion to dismiss the complaint, made at the close of the case, should have been granted.

The judgment must be reversed, with cost, and the complaint dismissed on the merits, with costs. All concur. (157 N. Y. Supp. 16.)

Authority of Director

NEW YORK

Liquidation of National Banks—Receivership.

Supreme Court, New York County. Special Term, January, 1916.

PLANTEN VS. NATIONAL NASSAU BANK OF NEW YORK.

Where shareholders of a national bank appointed a committee to liquidate its affairs, pursuant to Rev. St. section 5220 (U. S. Comp. St. 1913, section 9806), the control o. the bank by the directors, and their power to determine what actions should be brought by the bank, was not thereby terminated, so as to render necessary demand upon the committee, rather than the directors, by a stockholder as a continued precedent to his right to sue the directors for waste of assets, since the law places the control of a national bank in the hands of its directors, where it resides until taken away by some other provision of the law, as by the appointment of a receiver.

A receiver for a corporation, once appointed, displaces the directors in the control thereof. (157 N. Y. Supp.)

ACTION by W. Rutger J. Planten, suing for himself as stockholder and for all other stockholders of the Nassau National Bank of New York similarly situated, against the National Nassau Bank of New York and others. On demurrer to a separate defense, brought on as a contested motion. Motion granted.

STATEMENT OF FACT AND OPINION

GIEGERICH, J.: In an action brought by a stockholder of a national bank against its directors for damages for alleged waste of its assets by mismanagement, the complaint alleges as an excuse for not making a demand upon the bank that it bring such suit that the defendants constitute a majority of such directors. An affirmative defense sets up that prior to the commencement of the action the bank went into voluntary liquidation, pursuant to section 5220 of the Revised Statutes of the United States (U. S. Comp. St. 1913, section 9806), and the shareholders appointed a committee "to liquidate the affairs of the bank," and further alleges that by such act the matter of realizing on the assets of the bank was thereafter kept out of the control of the board of directors, and that the directors, since the passage of such resolution, have had no power over the bringing of actions by the bank or over its assets, but that such power since that time has vested in the liquidating committee. This defense is demurred to, but as the allegation that the liquidating committee superseded the directors as the controlling authority of the bank is made expressly to depend upon the effect of such resolution, the demurrer admits only the adoption of the resolution and not the result which the pleader alleges flowed from such action. Such further allegations are plainly concluded, and not admitted by the demurrer. Greef vs. Equitable Life Assur. Soc'y, 160 N. Y. 19.

If it were a fact that the liquidating

committee became the controlling authority, and that such committee and not the directors thereafter had the power to determine what actions should be brought by the bank, then it may be conceded that upon the familiar rule of law the plaintiff should have first demanded of the liquidating committee that the bank bring such action, and that in the absence of such an allegation in the complaint the defense pleaded is a valid one. I cannot find any warrant, however, for holding that the authority of the directors was taken away by the appointment of such a committee. The counsel for the defendants does not point to anything in the National Bank Act (Act June 3, 1864, c. 106, 13 Stat. 99) to indicate such a result, and I cannot find anything. It may be an established custom of long standing to appoint such a committee as an agency for liquidating purposes in such cases, but it does not follow that the control of the directors is terminated merely because such an agency has been created for a special purpose.

The functions of such a committee are analogous to those of the officers of the bank rather than to those of the directors, and just as the authority of the officers is subordinate to the authority of the directors, so, I think, it must be held that the auhority of such a committee is similarly subordinate. The law places the control of a national bank in the hands of the directors, and there it must be held to reside until it is taken away by some other provision of the law, such, for instance, as by the appointment of a receiver. Even if the stockholders should attempt in the most studied and explicit terms to take away the statutory and customary power of the directors and to vest all power in a liquidating committee, which the resolution in the present case falls far short of doing, it is doubtful whether the courts could safely recognize such an attempted substitution of control and the placing of formal authority in the hands of a body not known to the law and whose powers and functions would not be defined by any statutes or by any decisions. Such an aid to liquidation as an auxiliary agency has been found useful, and has justified itself by experience, as is evident from the fact that such a committee seems generally appointed in such cases.

All the benefit of such an auxiliary agency can be secured and preserved, however, by holding that it is auxiliary and leaving the supreme power in the directors, instead of holding that such liquidating committee is supreme, and thus launching the administration of liquidating proceedings upon an uncharted sea without any precedents for guidance.

The learned counsel for the defendants, recognizing that controlling decisions have held that the bank continues its corporate existence, notwithstanding the liquidation proceedings, and that its directors continue to be directors, suggests the idea of concurrent or co-ordinate power; but such a theory is equally unworkable. If, for instance, the bank had a claim to enforce by action in such a case, and the two bodies differed, could no action at all be brought in the name of the bank, or could two actions be brought, and, if the latter, what relief, if any, could be afforded to a defendant thus harrassed? Without multiplying instances of the confusion that would be introduced, either by the theory of paramount power of such a committee or by the theory of its co-ordinate power, it is enough to say that by rejecting both theories and staying on the safe and familiar ground that the directors continue to have the power to direct, and that the liquidating committee is merely an agency subject to their control, we lose nothing of the practical value of such an instrumentality for the performance of its special purpose, and at the same time we retain the full benefit of all the rules and principles of both substantive law and practice that have been established by the legislative and judicial power relative to corporations generally and to national banking associations specifically.

No case directly in point has been cited on either side. The weight of such cases as there are, however, is in favor

of the conclusion above stated. In Central Nat. Bank of Baltimore vs. Connecticut Mutual Life Ins. Co., 104 U. S. 54, it was set up as a defense to an action against the bank that the stockholders of the bank pursuant to the law had voted that the bank go into liquidation, and it was certified by the Comptroller of the Currency that the bank had gone into voluntary liquidation under said section 5220. It was claimed that such action by the stockholders and the subsequent steps in reducing its assets to cash and paying its creditors and distributing the balance among its stockholders constituted a dissolution of the corporation. The court said (104 U. S. 73, L. Ed. 693):

"It is to be observed that the sections under which the proceedings took place, which, it is claimed, put an end to the corporate existence of the bank, do not refer in terms to a dissolution of the corporation and there is nothing in the language which suggests it in the technical sense in which it is used here. * * * If there are claims made which the directors of the association are not willing to acknowledge as just debts, there is nothing in the statute which is inconsistent with the right of the claimant to obtain a judicial determination of the controversy by process against the association, nor with that of the association to collect by suit debts due to it. It is clearly, we think, the intention of the law that it should continue to exist, as a person in law, capable of suing and being sued, until its affairs and business are completely settled. The proceeding prescribed by the law seems to resemble, not the technical dissolution of a corporation, without any saving as to the commonlaw consequences, but rather that of the dissolution of a copartnership, which nevertheless, continues to subsist for the purpose of liquidation and winding up its business."

In this language of the court there is a direct recognition of the fact that in the process of liquidation the directors are still the ones in whom resides the authority to determine what are just debts, and the consequent authority to resist unjust claims against the bank or enforce just ones in its favor.

The expression of the views of the court in Merchants' Nat. Bank of Minneapolis vs. Gaslin, 41 Minn. 552, is still more closely in point. There the action was on a domestic judgment recovered by the plaintiff against the defendant. The defense, among others, was that the plaintiff was dissolved prior to the bringing of the action. At the trial the defendant offered in evidence a certified copy of a resolution passed by the vote of two-thirds of the stockholders that the bank go into liquidation and be closed, and appointing trustees to close up its affairs, which was objected to and excluded. The court in passing upon this point said (41 Minn. 552):

"The fact that the stockholders by the vote of the requisite two-thirds, resolved that the bank go into liquidation and be closed, and that notice thereof was sent to the Comptroller of the Currency, did not dissolve the corporation, and, while it probably disabled it to go on with the banking business, it did not affect its capacity to collect its assets and settle its affairs; and the appointment by the shareholders of what they call 'trustees,' to close up the affairs of the bank, the title to its assets and choses in action not being vested in them, and they being, therefore, only agents, did not affect the right of the corporation to maintain actions upon its choses in action."

The counsel for the defendants cites Fisher vs. Andrews, 37 Hun. 176, Nelson vs. Burrows, 9 Abb. N. C. 280, Finance Co. vs. N. J. S. L. R. Co. (C. C.) 183 Fed. 830, Swope vs. Villard (C. C.) 61 Fed. 417, and Cable vs. Beall, 130 N. C. 533, for the proposition that after a receiver has been appointed the hostile interests of the defendant directors are no longer a sufficient excuse for the failure to allege a demand upon the receiver that the suit be brought.

The theory of all those cases and similar ones is that the receiver, once one is appointed, displaces the directors in the control of the corporation. This is familiar law, and is not only express-

ly provided in many statutes, but is a long-established and well-recognized practice. The books are full of actions by receivers of corporations, but I doubt if a single case can be found where a liquidating committee has attempted to bring an action.

Another case of a different character cited by the defendant's counsel is Jewett vs. United States, 100 Fed. 832. In that case Jewett was, as stated in the opinion (100 Fed. 834, 41 C. C. A. 90), "president of the Lake Mutual Bank of Wolfeborough, and, without formally resigning that office, he was constituted the agent of the association to close its affairs in liquidation, as provided by section 5220 of the Revised Statutes." Among other allegations in that case was one that Jewett "had authority from the association to collect all its credits," and the court observed (100 Fed. 839), that the authority given him "with reference to certain very important matters connected with closing the affairs of the association, if not to all of them, was as extensive as that which would have vested in its president and directors if no agent had been appointed."

An examination of the entire opinion in that case, however, does not warrant the conclusion that the court meant to say that Jewett superseded the directors in control of the affairs of the bank and could have brought an action in the name of the bank without their authority or contrary to their direction. That action was brought to punish Jewett criminally for his misapplication of the funds of a national bank in liquidation. He was indicted under section 5209 of the Revised Statutes of the United States (U. S. Comp. St. 1913, section 9772), which covers misapplication of funds by a president, director, cashier, teller, clerk or agent of a national bank, and he was indicted as president, director and agent. He had been the president of the bank, and a director also, and had never resigned. As held in the decision above cited, the bank continued its corporate existence notwithstanding the liquidation proceedings and its directors continued in office.

The point under consideration and discussion by the court at the time the language above quoted was used was whether Jewett was an "agent" within the meaning of the statute under which he was indicted, and which grouped the representatives of the corporation included under the act in the following words: "President, director, cashier, teller, clerk or agent." The court said (100 Fed. 839):

"We are not permitted to hold that one occupying the position of the plaintiff in error is excluded from the classes of persons within its purview however it might be with some one exercising temporary or special authority, who would not, in the mind of the Legislature, be commonly associated with the recognized officers of the bank."

From this it is apparent that the court had no intention and no need to make any comparison of the relative rank of the authority of Jewett, the liquidating agent, and the other persons of official character mentioned in the statute. All that was necessary to hold—and, properly construed, all the decision did hold—in that case was that the duties and powers of Jewett were of such a character as to put him in a class with the officers named, which it will be observed ran down the scale of importance to clerks, rather than of such a special or temporary character as not to warrant the designation of agent. That the court could have had no intention of holding that Jewett had general authority superior to, or even equal to, that of the directors is further evident from the fact that, as stated in the opinion (100 Fed. 838, 41 C. C. A. 94), the special authority issued to Jewett came from the board of directors. It might further be observed that the court (100 Fed. at page 839), in referring to the theory that the officers of a national banking association which has gone into liquidation occupy the relation of trustees for the creditors said:

"This applies, however, as well to the directors of an association as to its agent in liquidation. In neither the one case nor the other do the directors cease to be directors, or the agent to be agent."

This shows that the court recognized that the directors continued to be directors, notwithstanding the fact that they had conferred certain large special powers upon the agent in liquidation. The court further said (100 Fed. 838):

"It must be observed that no such office as an agent in liquidation is known to the statute, and also that the court declared against Jewett alike as president, director and agent."

It is true that the court, on the same page, also said that the appointment of an agency for liquidating purposes had been "long recognized as permitted by the law"; but such remarks applied only to Jewett's character as an agent within the provisions of section 5209 of the Revised Statutes of the United States, under which he was indicted and convicted, and therefore the effect of the resolution constituting him the agent of the bank to close its affairs in liquidation, so far as the control of the directors was concerned, was not involved in that case, and what the court said about the extent of the authority of the agent was not meant in way of comparison of such authority with that of the directors, but only to show, as above pointed out, that the authority was at least of such an important and permanent character as to warrant classifying that agent in a group that included tellers and clerks.

My conclusion is that neither in the decision nor in the consideration of this case apart from the decision can any ground be found for holding that the authority of the liquidating committee was superior to or even equal to that of the directors, or that such committee had power to authorize, contrary to the wishes of the directors, a suit in the name of the bank.

The plaintiff's motion is therefore granted, with $10 costs, with leave to the defendants to amend their answers within 20 days on payment of such costs. Settle order on notice. (157 N. Y. Supp. 31.)

Farm Loan Bureau in Rural Credits Bill

ESTABLISHMENT of a federal farm loan bureau in the Treasury Department under the general supervision of a Federal Farm Loan Board is provided in a rural credits bill which has been reported favorably to the Senate by Senator Hollis, from the committee on banking and currency. The bill enables the farmer to obtain capital for productive purposes at low rates and for long terms on the security of his farm. It is the same measure, with important amendments, however, reported to the joint rural credits committee of the House and Senate by Senator Hollis, chairman of the subcommittee which drafted it.

The banking and currency committee established the system as a bureau of the Treasury Department instead of as an independent board, as provided in the original bill. It also struck out the provision empowering the federal land banks of the system to establish a savings department for interest-bearing time deposits. As amended the bill further authorized the Secretary of the Treasury to make advances or depostis for the temporary use of any federal land bank, provided the aggregate of

all such sums shall not exceed $6,000,000 at any one time. These three changes in the bill were the only important differences in the committee.

Under the provisions of the bill, Secretary of the Treasury McAdoo is made a member ex-officio of the Federal Farm Loan Board which shall consist of four other members appointed by the president, with annual salaries of $12,000. As originally drafted, the bill establishes twelve farm land banks, capitalized at $500,000 each, under the direction of the general board.

National farm land loan associations are also to be established by persons wishing to borrow money on farm mortgage securities.

In his report accompanying the bill Senator Hollis said:

"It is believed that the system of land banks outlined in the proposed bill affords a safe and attractive farm land bond for the investing public; low interest rates, long-term mortgages and easy payments for the farmer; low cost of administration; simplicity of organization and operation; adaptability to needs of every section and stimulation to the spirit of generous co-operation among farmers.

"The rapid increase of tenant farmers and the tendency to abandon agriculture and seek the larger centres of population has become a national menace in this country. It increases the cost of living and causes a one-sided development. Most civilized nations are already offering direct aid and other inducements to persuade the people back to the land. We believe that the United States can well afford the moderate encouragement provided in this bill."

Tariff Commission Can't Escape Politics

By LOUIS A. COOLIDGE, Treasurer U. S. Shoe Machinery Co.

I BELIEVE that the time has unquestionably arrived when we should discuss industrial preparedness, and that the tariff should be included in this work of preparedness, but I do not think that the present Congress is capable of discussing either military or industrial preparedness.

The United States Chamber of Commerce is quoted as saying that one evidence of the commercial foresight of Germany, which eventually made for her commercial supremacy, was due to Germany's centralizing her industries, plus state regulation; and that Germany's Tariff Board, product of ten years of preparedness, was partly responsible for Germany's industrial successes.

Now, I believe that the established policy of protection contributes greatly to Germany's industrial success, and that her Tariff Board, as part of the machinery for making that policy effective, is helpful. It is incidental, not fundamental.

And, furthermore, I believe that the tariff cannot be taken out of politics in this country, until all parties can agree upon a permanent policy of protection. I do not believe in a Tariff Commission appointed by an executive. It can have no decisive influence in framing tariff legislation so long as the House of Representatives retains its constitutional rights to initiate revenue legislation.

We have had tariff commissions and tariff boards in the past, but their recommendations have been ignored by Congress when it came to the framing of tariff legislation.

A body of experts, qualified to investigate and recommend a better scientific adjustment of the tariff, doubtless would contribute to business stability, if working in conjunction, with, and under the supervision of the Senate, but these experts should be attached to the legislative branch of the Government, not to the executive.

If more men familiar with business and industrial life from practical experience were to enter public life, it would contribute greatly to the effectiveness of legislative life, both State and National. The trouble is, that whenever a man of conspicuous business ability takes an interest in political affairs, his motives are attacked and he becomes a victim of public abuse.

And finally I will say, that "tariff tinkering" can never stop, so long as any considerable political party persists in carrying on the agitation against the policy of "Protection."

Savings Explained

THIS year will witness considerable activity in stimulating thrift and saving, and whatever tends to a better understanding of saving and its objects should be of more than ordinary interest. In "The Complete Answers to the Questions Set at the Institute of Bankers Preliminary Examination, 1915," appears the following question and answer (as published in "The Bankers Magazine, London):

Question.—Examine carefully from the economic standpoint what is implied by saving and by spending. Consider the results which follow upon different interpretations of these terms.

Answer.—The term "saving" implies (1) the production of more capital than is being consumed, and therefore (2) an increase of capital and productive power; (3) the power to save, and (4) the will to save; (5) in the case of persons with limited incomes, a choice between the present and the future, which involves present sacrifice.

Spending implies (1) the satisfaction of present needs or desires, and (2) a demand for labor and the products of labor, and therefore (3) a stimulus to industrial production. The treasured hoard of the miser and the surplus income of the continually overworked individual are not true saving. The former adds nothing to national productive power, and does not contribute to the economic well-being of the community. The latter is drawing on his reserves of strength and impairing his future earning power.

No useful purpose can be served by contrasting saving and spending as necessarily opposed on all points, and as though one were essentially virtuous and the other necessarily to be condemned. The ultimate results to be achieved must be borne in mind, and only by a judicious blending of these two complementary economic virtues (either of which may, if pushed to extremes, become a vice) can national capital and productive power be increased. Nations can neither "live by taking in each other's washing," nor can a healthy state of industry be promoted by rigidly limiting expenditure to articles of necessity. Expenditure may be on articles which are regarded as "consumption capital," such as education, sanitation, wholesome recreation, etc. Up to a point such outlay is productive and profitable. Expenditure on luxuries for merely present pleasure is economically unprofitable.

Thus the actual true savings of a nation are measured by the increased productive power, and not merely by the (perhaps temporary) surplus of income over expenditure. Such increase is derived as much from the direction given to industry by expenditure as from the actual degree of thrift which is individually practiced.

Name (Corporate Style) ....

Business .... Location ....

Branches ....

To THE LIBERTY NATIONAL BANK OF NEW YORK.

For the purpose of procuring credit from you from time to time, direct or otherwise, we herewith submit the following true and accurate statement of our resources and liabilities as shown by our books on ....

In consideration of the granting of such credit we agree that should we make a bill of sale, a mortgage or other transfer of a considerable portion of our property without due notice to you, or should our stock be attached, or should we make an assignment for the benefit of our creditors or should a petition in bankruptcy be filed by or against the company, then all and every claim you have against us shall become at your option immediately due and payable.

ASSETS				LIABILITIES			
Cash				Creditors:			
Customers: On Open Accounts				On Open Accounts			
On Notes Receivable				Notes Payable for Mdse.			
Controlled or allied concerns: Notes, Accounts Receivable, etc.				Notes Payable to Banks			
Merchandise Manufactured				Notes Payable To Others			
Unmanufactured				Other Current Debts: (Itemize)			
Plant and Machinery							
Furniture and Fixtures							
Real Estate (Full Value. Mortgage entered in Liabilities)				Mortgage Debt—when due			
Other Assets (Itemize)				Bonded Debt—when due			
				Capital: Preferred			
				Common			
				Surplus			
				Undivided Profits			
Total				Total			

Between the date of the above inventory and the present time we have had no serious losses through bad debts or otherwise (except) ....

and our condition today is fully as good as set forth by the above figures.

Sales for Year				Dividends (paid or declared) Preferred			
Gross Profit				Common			
Net Profit				Depreciation charged off			
Other Income (Specify)				Amount carried to Reserve			
				Amount Carried to Surplus			

OVER

CONTINGENT LIABILITY: { We have no contingent liability of any kind or nature as endorser or guarantor (except as follows) ....

....

Our Merchandise is insured for $ .... Plant, Bldg. and Machinery, $ ....

None of the accounts or notes receivable included in the statement made above has been assigned, pledged or discounted (except as follows) ....

....

....

Neither have any of our other assets been pledged or assigned as collateral for any of our liabilities, (except as follows)

....

Our company is incorporated under the laws of the State of ....

We have no interest in any other concern (Except,—Name affiliations and location) ....

....

There are no suits pending against our corporation (except) ....

The form of obligation used in the financing of our business is the plain note of the corporation (endorsed by) ....

....

None of these endorsers guarantee the paper of other concerns or individuals (except) ....

....

The net worth of endorsers outside of this business is ....

Our commercial paper is placed through (Name broker or brokers) ....

Our Books are not / are audited by a Certified Public Accountant ....

The date of last Audit was .... made by ....

BANK ACCOUNTS	LINES GRANTED	Under Discount on Statement Date

OFFICERS	DIRECTORS	
.... President		
.... Vice-President		
.... Treasurer		
.... Secretary		

(Please sign Company's Name here) ....

By .... (Title of Officer.)

Date Signed ....

BLANK FORM USED BY THE LIBERTY NATIONAL BANK OF NEW YORK FOR STANDARDIZING INFORMATION FOR ITS CREDIT DEPARTMENT

Modern Financial Institutions and Their Equipment

The National Union Bank of Boston

THE official staff of the National Union Bank of Boston has been reorganized recently on account of the resignation of its former vice-president, Charles P. Blinn, Jr. William S. B. Stevens, who has been cashier, has been made vice-president; Arthur E. Fitch has been advanced to the position of cashier, and John W. Marno becomes assistant cashier. These with President Henry S. Grew make up the present personnel of the bank.

Mr. Grew was graduated from Harvard with the class of '96, and was associated with Estabrook & Co. for three years. In 1902 when the City Trust Co. opened for business he became discount clerk and afterwards became assistant treasurer. In 1905 he was elected president of the Union Bank. From the beginning of his business career Mr. Grew displayed unusual financial ability and at the time of his election he was the youngest bank president in Boston.

Mr. Stevens was formerly associated with the old North National Bank of Boston and when that bank was absorbed, along with many others in 1898, he went to the National Bank of Redemption, where he was later made assistant cashier. In 1901 he became associated with the National Union Bank as assistant cashier and was cashier from 1908 until his recent advancement to the vice-presidency.

Mr. Fitch and Mr. Marno have grown up in the bank and have achieved their present positions through their ability and fidelity.

The National Union Bank has had a very interesting history. Organized in 1792, when there were but five banks in the entire country, its charter was opposed by the only existing bank in the city, the Massachusetts Bank, on the ground that two banks were not needed. This opposition did not prevail, however, and the bank was established with a capital of $1,200,000, of which the state owned one-third, as was customary in those days.

This bank, which has thus been in existence for 124 years, first began business in a residence which was located on the site of the present Union building at the corner of State and Exchange streets. When the present structure was built, in 1826, the bank occupied temporary quarters and on the completion of the building, it moved into rooms on the second floor where it has since remained, its quarters, however, being enlarged and improved as the demands of business required.

The original incorporators were Stephen Higginson, Caleb Davis, William Tudor, Oliver Wendell, Nathaniel Fellowes, Joseph Coolidge, William Smith, Joseph Blake, Frederick William Geyer, Daniel Hubbard and David Greene.

Moses Gill was the first president and the directors were Oliver Wendell, David Greene, William Smith, Samuel Brown, Nathaniel Fellowes, Jesse Putnam, Samuel Blodgett, Jr., Perez Morton and Joseph Blake. Alexander Hodgdon was the first cashier.

Since then the bank has had eleven presidents, Oliver Wendell, grandfather of Oliver Wendell Holmes, succeeding Mr. Gill, occupying the office from 1800 to 1812, and he in turn being followed by Samuel Brown, 1812 to 1819; Thomas L. Winthrop, 1819 to 1834; Samuel Fales, 1834 to 1846; Chester Adams, 1846 to 1855; Thaddeus Nichols, 1855 to 1863; George C. Richard-

son, 1863 to 1878; Charles L. Young, 1878 to 1882; George Whitney, 1882 to 1901; James R. Hooper, 1901 to 1905, and Henry S. Grew, 1905 to the present time.

The cashiers since Mr. Hodgdon have been George Burroughs, Chester Adams, Lemuel Gulliver, Almarin Trowbridge, Charles W. Gulliver, George H. Perkins, William S. B. Stevens and the present cashier, Arthur E. Fitch.

There have been connected with the bank since its inception many of Boston's best known citizens, including among others such names as Winthrop, Codman, Parkman, Eliot, Amory, Wainwright, Coolidge and Gardner Greene, whose estate in Boston occupied the site of Pemberton Square and was the finest private domain within the city limits.

The National Union Bank has a remarkable dividend record. At the end of the first six months of its existence it paid its stockholders four per cent. and never since has it failed to earn and pay a semi-annual dividend, averaging over seven per cent. per annum for the entire 124 years. The present rate is eight per cent. It is believed that this record is equaled by no other corporation in this country.

The present capital of the bank is $1,000,000, with surplus and profits of $1,284,799.37; deposits of $11,242,199.48; loans and discounts of $9,398,564.58; cash, exchanges, reserve, etc., $5,835,817.03; total resources, $14,024,798.85. This in accordance with its latest statement, as of March 7, 1916.

The directors of the bank, with recent additions, are as follows: Nathaniel H. Emmons, president Lawrence Gas Co.; William Farnsworth, of Farnsworth, Stevenson & Co.; James R. Hooper, president New England Trust Co.; Philip Dexter, lawyer; Henry S. Grew, president; Philip Y. DeNormandie, of Bliss, Fabyan & Co.; Ralph B. Williams, trustee; Stedman Buttrick, of Estabrook & Co.; William Amory, treasurer Pepperell Mfg. Co.; Thomas B. Gannett, of Parkinson & Burr; E. Sohier Welch, lawyer; Alexander Whiteside, lawyer.

A Patriotic American Platform

(From a Speech by Hon. George Sutherland, United States Senator from Utah)

MR. PRESIDENT, I for one am becoming sick and tired of the spineless policy of retreat and scuttle—the policy that, among other things, has ordered our people to abandon their rights in Mexico and that has made us flee our plain duty in the Philippines. Instead of forever telling our citizens to run, I should like for once to hear somebody bid them stand, with the assurance that their Government will stand with them. Instead of warning our own people to *exercise* their rights at their peril, I would like to see issued a warning to other people to *interfere* with these rights at *their* peril. The danger of it all is that by this policy of always backing down instead of backing up we shall encourage an increased encroachment upon our rights until we shall finally be driven into a crisis from which nothing but war can extricate us.

For Vice-President A. B. A.

THE "Wisconsin Banker," the official organ of the Wisconsin Bankers Association has endorsed the proposal that Andrew J. Frame, president of the Waukesha National Bank, Waukesha, Wis., be given the office of vice-president of the American Bankers Association at the Kansas City convention of this association. The "Wisconsin Banker" says:

"With the annual convention of the American Bankers Association to be held at Kansas City commencing to occupy the attention of members throughout the country comes the suggestion from many prominent sources that the office of vice-president be given to a Wisconsin man, and coincident with the suggestion, leading financial journals are proposing Andrew J. Frame, president of the Waukesha National Bank, Waukesha, Wis.

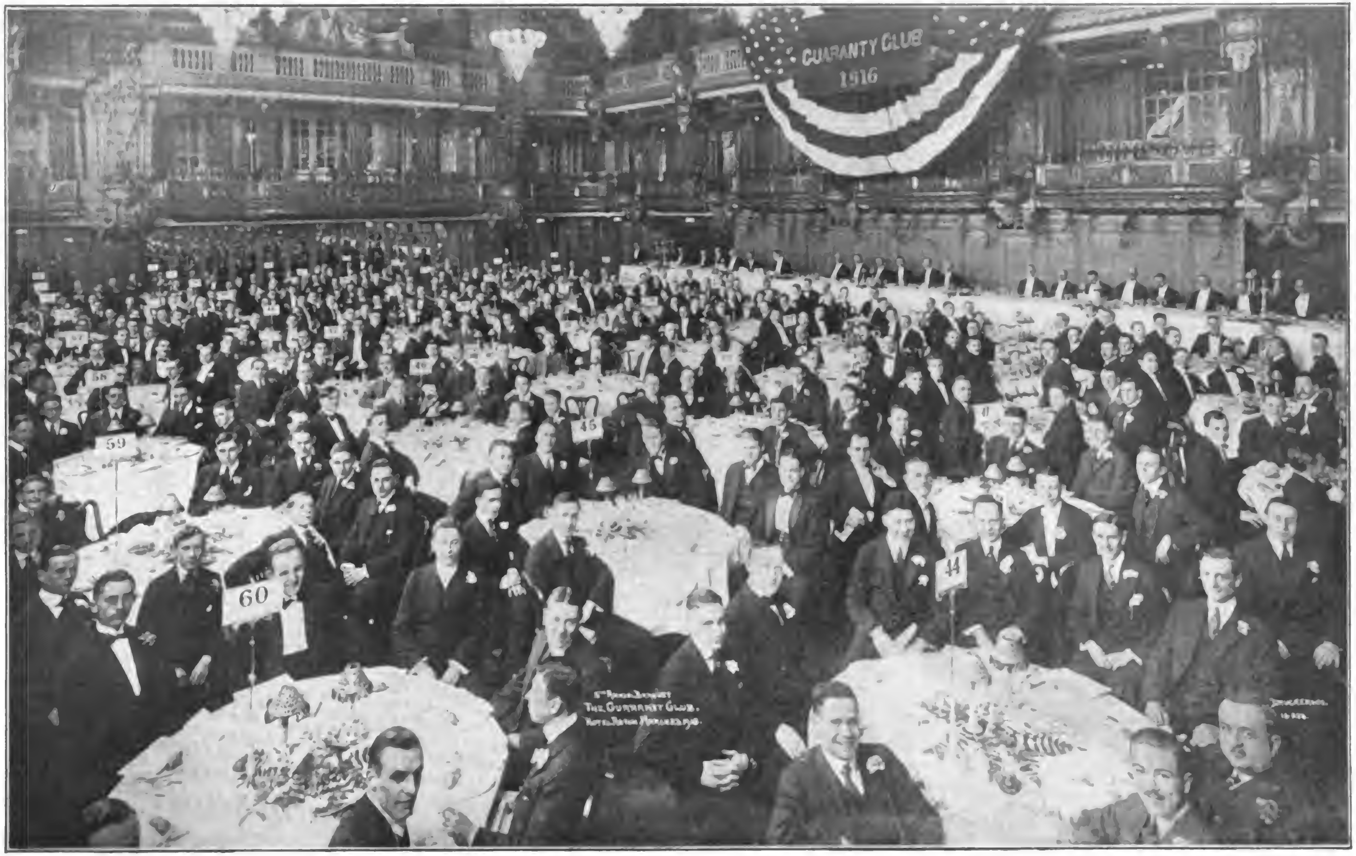
"The proposal is a happy one, and the 'Wisconsin Banker' takes pleasure in unqualifiedly endorsing this suggestion.

"Mr. Frame is 72 years of age and rounding out a banking career which has made him an authority upon all leading financial matters. For many years Mr. Frame has enjoyed a national reputation, and his addresses and papers upon political economy and banking have elicited widespread commendation from the most eminent sources. His writings have influenced congressional legislation resulting in material good to the nation at large.

"As a speaker, Mr. Frame is forceful, and his wonderful fund of knowledge and remarkable memory as to dates and statistics enable him to present his arguments in convincing style and unusual clarity. His many pamphlets and booklets upon timely subjects show the student's mind and analytical grasp of his subject.

ANDREW J. FRAME
PRESIDENT OF THE WAUKESHA NATIONAL BANK, WAUKESHA, WIS., AND MENTIONED AS NEXT VICE-PRESIDENT OF THE A. B. A.

"As vice-president of the A. B. A., Mr. Frame would confer an honor upon the association, and the 'Wisconsin Banker' bespeaks his unanimous support. It would be a fitting testimonial to a banking career honored by all and as one publication suggests—'there is plenty of time for the younger men.'"



FIFTH ANNUAL BANQUET OF THE GUARANTY CLUB RECENTLY HELD AT THE HOTEL ASTOR, NEW YORK. THE GUARANTY CLUB IS COMPOSED OF THE OFFICERS AND CLERKS OF THE GUARANTY TRUST COMPANY WHO TAKE THIS MEANS OF MANIFESTING THEIR LOYALTY TO THE ORGANIZATION WHICH THEY SERVE.

The Guaranty Club

THE loyalty of the employees of the Guaranty Trust Company of New York and their enthusiasm for the organization which they serve was clearly manifested at the fifth annual banquet of the Guaranty Club which was recently held in New York. None could attend this function without becoming strongly impressed with the admirable spirit of harmony and mutual helpfulness which is a leading characteristic of the club.

The Guaranty Club is composed of the officers and clerks of the Guaranty Trust Company and its avowed object is the promotion of good fellowship and co-operation among the employees of the company and the encouragement of their active loyalty to it.

The club has been a success in every respect since its inception about five years ago and its sphere of influence and usefulness is constantly widening.

One very valuable feature of the club is the Thrift Department, the object of which is to encourage among members the habit of saving. Deposits of from $1 up to $1,000 may be made and the rate of interest on deposits thus far has averaged about six per cent. per year. The Thrift Department has been in operation for over four years and on April 1, 1916, the amount in the fund was $99,777.24.

The present membership of the club is 745 members, an increase of 185 since last November.

A Remarkable Bill

ALFRED L. AIKEN, governor of the Federal Reserve Bank of Boston, stated in a recent address, according to the Boston Herald, that it is amazing that a body of legislators having so limited an acquaintance, in the average, with the intricacies of finance as have congressmen should draft so remarkable a bill as the Federal Reserve Bank Act, especially under the conditions prevailing at the time. He predicted that the results of the new system would be far-reaching for good, but pointed out that to develop to the full its usefulness would require years of time.

Though with the breaking down of London as a world money market the United States has become the only free money market in the world, said Mr. Aiken, America cannot become a serious competitor of London within one year or five years, for London's position is the result of 200 years of growth. And while London has lost much of its business and probably will lose more, it will regain much of this when peace is signed.

"I would like to see a period of tight money," he added, "so that the federal banks could prove their capabilities." He emphasized as important the timely opening of the reserve banks, at a time when the country could take advantage of the great business field open to it. What the change means to Boston he indicated from the fact that acceptances of bills of exchange there have totalled $20,000,000.

Adequate reserves, elastic currency and acceptances of bills of exchange he stressed as of extreme importance at this time.

Suggestion Contest

THE Fidelity Trust Co. of Kansas City, Mo., in order to promote interest and co-operation among its employees conducts a suggestion contest, the proposer of every plan that is adopted being awarded one dollar. The following taken from a recent number of the Fidelity Spirit gives a good idea of the way the plan works out:

"Mr. S. L. Fogel makes the suggestion that an information desk be established in the lobby, being a center toward which those coming into our lobby would gravitate for the information they sought, being attracted thereto by the sign, 'Information.' The telephones on this desk would be for the use of customers, thus clearing the officers' phones of the numerous customers' calls outbound, leaving them free for the inbound calls coming to the various desks. The suggestion worked the scheme ~~out~~ in some detail. It was a splendid service suggestion.

"Mr. R. B. Newkirk suggested the use of an illuminated sign, or some other means of calling Mr. Harrington, information man stationed in the lobby, when he was wanted at any of the various windows, to take some customer to some other window or for other reasons.

"Dr. Gillespie suggests an escalator for the use of those on the gallery, to save wear and tear on the iron stairs. This suggestion was more or less a joke, of course, although we could use the escalator, but Doctor did put into practice another practical suggestion in the use of gummed paper bands in place of rubber bands for the filing of deposit tickets and other like papers. In about three months' time rubber bands are rotted and stuck to the papers, whereas paper bands are good indefinitely.

"Mr. Newkirk's suggestion was awarded the dollar, because doing the greatest good to the greatest number and one that could be put into practical use at once, Mr. Fogel's suggestion being borne in mind for future use."

America First

(From "The Immigrants in America Review")

WE must put America first in the hearts of every resident in America, put the stars and stripes above every other flag, and make English the common language of all peoples in America, because it is the key to American life.

We must make into citizens all residents intending to remain here, and those unfit or unwilling to become citizens should be asked to leave. We must make the American home a standard throughout the country for all persons alike. We should make efficiency and thrift a more conscious part of our national life, replacing commercialism and stock gambling and extravagance, and make co-operation and teamwork the ideal in place of our present doctrine of "every man for himself."

Book Reviews

THE PEOPLES CREDIT. By Oswald Stoll. London: Eveleigh Nash.

WAR exercises a tremendous influence upon economic thought and practice, and when the European conflict is over the world is pretty apt to see some startling changes wrought in banking and currency matters as well as along other lines. The Civil War in the United States gave to the country for the first time a currency uniform in appearance and value. But it did more —it gave us government paper "money." and it exists to-day, and now there is not a genuine bank note issued anywhere in the United States.

The proposal in the book under review seems radical, but is it really much more so than the one referred to above? It is planned by the author that the Bank of England shall be converted into a government bank to make loans on productive property, without interest, these loans to be made in the form of credit upon its books, to be checked against as other bank credits now are, and to be repayable in installments over long periods. This suggestion rests upon the claim that the real basis of credit is the productive property owned by the people, and that loans generally classed as fixed investments are nothing after all but the loan of credit.

The war in Europe has vastly extended governmental powers and an extension in the direction indicated would hardly be less surprising than others which have already taken place. Several of the nations engaged in the conflict will be under severe economic pressure for a long time after the war ends and will undoubtedly find new expedients necessary. Government loans to farmers for long periods and at low rates have been tried in some countries already, but that government should lend credit generally to merchants and manufacturers as well, and without interest, seems now a radical proposal.

For Mr. Stoll it must be said that he has reasoned out his thesis most clearly and shows a great deal of sound knowledge of money and banking and has indeed made an interesting contribution to the literature of finance. His credit loans by the government are vastly different from the "greenback" or legal tender schemes, based upon the "general wealth." He does not propose legal-tender issues at all, and the property pledged for the credit must belong to the individual who seeks the credit, and officially appraised.

It is contended that great crises like the war show that credit really rests upon the nation's property—that is, the productive property owned by the people, and in these emergencies the burden is actually shifted to the people at large—to the government.

Those trained in orthodox methods of finance will not agree with this position, but they will find much in Mr. Stoll's treatise to set them thinking.

BOOKS RECEIVED

THE AMERICAN CITY. By Henry C. Wright (National Social Science Series); price 50 cents. Chicago: A. C. McClurg & Co.

AMERICAN BANKING. By Henry Parker Willis, author of "The Federal Reserve"; Secretary of the Federal Reserve Board. Price $2. Chicago: La Salle Extension University.

THE COLORADO INDUSTRIAL PLAN. By John D. Rockefeller, Jr. (Including a copy of the plan of representation and agreement adopted at the coal and iron mines of the Colorado Fuel & Iron Co.). New York: Published by the author.

International Banking and Finance

The War and the Economic Policy of America

By Elisha M. Friedman

THE variety of interpretations of the industrial effects of the war upon us of America is due to a lack of analysis of the transitory and the permanent changes arising out of the conflict.

Let us examine some of the elements involved. As a result of the enormous excess of our exports over imports, coupled with the reluctance or inability of our debtors to ship gold, the foreign exchange market closed on a recent date with the rates in our favor, as follows: London, two per cent.; Paris, fourteen per cent; Berlin, twenty-two per cent.; Vienna, forty per cent.; Italy, twenty-three per cent., and Russia, thirty-nine per cent. In times of peace these figures would register only the demand, or rather lack of demand, for exchange, pounds or marks, kronen or rubles on New York. Under present conditions an added factor is contained, namely, the depreciation in purchasing power of the foreign monetary unit in terms of its value in gold, a condition analogous to that of our post-bellum period.

To right the exchange market would require the shipment of merchandise, of securities, or of gold. Of the last, the governments will hold all they can in order to support a credit structure built up by spending from forty to fifty millions a day, according to Foxwell and Price. As for the re-shipment of American securities, the computation by Mr. Loree showed how much less there really was ($2,500,000,000) than had universally been held to be the case (five to six billions according to Sir George Paish). When the war is over it is hardly likely that Europe will be induced further to part with the securities of our country, the only great power with a sound credit structure. Instead, the European powers will attempt to correct the foreign exchange rates by the last, chief and inexhaustible means—shipment of merchandise.

With the variation of exchange rates in our favor, from fourteen per cent. in the case of France, to forty per cent. in the case of Austria and Russia, we may expect large arbitrage transactions tending to reduce the disparity in rates of the various centres against New York.

This fact to the contrary notwithstanding, we shall remain for a considerable time after the war in our present foreign exchange position. Our market will be then, as it is now, a poor one to buy in and a good one to sell in. That is, a German or Austrian exporter of chemicals, paper, glass, gloves, wines, or laces, can sell his goods at an advantage twenty-two per cent. or forty per cent. greater than he can in his own country. He produces in marks or kronen, pays his wages and expenses in his own depreciated currency, and can sell in our market in dollars, with the foreign exchange rates in his favor, in competition with the American entrepreneur.

Conversely, buying in this country, he will be at a disadvantage. Our exports will naturally fall to the necessary minimum. Foreign legislation aimed at the same result will emphasize the natural law of trade, otherwise the unfavorable foreign exchange situation will be further aggravated. The British Order in Council restricting importations after March 1 except under Board of Trade licence is an earnest of this pol-

icy. A report from Germany in regard to the centralization and control of the issue of foreign drafts by an ordinance of the Federal Council Jan. 28, 1916, further confirms the likelihood of this course. What England with its individualistic political philosophy has dared initiate, under pressure, the centralized and paternal governments of Europe will undoubtedly execute with facility.

We may, therefore, expect that after the conclusion of peace the belligerents will import as little, and export as much as possible; firstly, to create a favorable balance of trade in order to right their exchange rates, and, secondly, to get gold from us, if possible, in order to reduce the inflation of their credit.

It would, therefore, be the part of prudence and foresight to empower the president by law to enforce special tariff provisions, which will compensate American manufacturers for the operation of foreign exchange rates to their disfavor. A temporary tariff, equal to the exchange rate on the day of clearance, should be applied against every importation until normal rates are restored, and the disadvantage against domestic industry has been removed. There is ample historical precedent for this in the provision of earlier American tariffs for applying maximum or minimum schedules at the discretion of the executive. It is not inconsistent with the traditional Democratic tariff policy, nor is it an attempt to benefit any special class. It merely removes the double handicap under which our "peace" industries would labor.

THE "war" industries have been piling up this balance of exports during the war, thus causing the dislocation of exchange rates. It would be decidedly unfair to expect that the "peace" industries pay the penalty of readjustment. To a considerable extent they have already suffered. The sale of explosives and war requirements at a profit, limited only by the desperate needs of the belligerents, and by the belief in their ability to tax and supertax their subjects, disarranged the administrative bases of our non-military industries. When the U. M. C. Co. raised men's wages in Bridgeport to a figure unwarranted by competitive profits in industries organized on a peace basis, the Warner Company, George Batcheller Company, and other corset makers, had a strike as a result, requiring them to pay increased wages and not affecting those of their competitors who were removed from any of the industries supplying war materials. To expect now that the Government leave the "peace" industries to suffer further from the disturbed condition of exchange is carrying the laissez faire to a conclusion not contemplated by its earliest and most ardent protagonists.

As Victor Morawetz pointed out many months ago (on May 5, 1915), we must be prepared to face a period of readjustment after the war, as we did at its beginning. When men's motives and needs change, means of satisfying them change also. In the transition that faces us at the end of the war, let us be alive to the fact that our trade competitors will not be incapacitated as they were at the time of the first adjustment. We shall then have to shape a purposeful policy, not be merely willing recipients of gifts arising out of the misfortunes of our fellows.

Here it is that we are without guide

or compass. Statistics fail us as an aid to a policy. A year or so ago we rejected our banking system based on a bond-secured circulation, and requiring high decentralized reserves. Disregarding, for a moment, the effect of the war in bringing five hundred millions of gold to our shores in one year, we are without experience or precedent in the effect of a diminution of the reserve requirement resulting from the centralization essential to the Federal Reserve System. Our financial trade barometers as an index to the future are of no avail. The total money in circulation, loans in New York banks, deposits, ratio to discounts, surplus reserves, bank clearings, domestic money rates, all have changed as a result of the new banking scheme.

Adding now the concomitant variations due to a dislocation of industry from a peace basis to a war basis, of what permanent significance are some of the other barometers, as the number of failures, the volume of foreign trade, exchange rates, commodity prices, pig iron production, railroad earnings, gross and net, idle cars or new miles of construction? War time statistics are valueless as an indication of future conditions in peace times.

We are indeed without precedent, and few are bold enough to foretell conditions as they will be after the war. That there will not be a continuation of our present state is agreed. For except in the case of the new bank act, we are enjoying the fruits, not of our foresight, but of the impotence of our neighbors.

However, we need not chide ourselves for not having attempted to enter the field of international commerce and finance to a larger extent ere this. There are natural stages in the economic development of the political state. Just as lakes pass from the young, fresh-water type, like the Great Lakes, to the old salt or marshy type, like the Dead Sea or the peat bogs of Ireland, just as young mountains, like the high and peaked Rockies, weather away to the low rounded type, like the Appalachian, so also does a young country, like Argentine, develop into an old country like Belgium. With resources unexploited in mines and fields, profits are large, foreign capital is attracted, and interest rates run high. As population increases, and industries grow, an export field is sought for its manufactured products, a carrying trade develops, and commercial activity is superimposed on its industries. Finally, when interest and profit are lower than abroad, when population increases in excess of the opportunities for its profitable employment, in short, when the economic law of "diminishing returns" becomes operative, then comes the export of its capital and its citizens. For the applications of this principle of the industrial development of political states one needs but to turn to the history of colonization, of sea power, and of finance. "The Economic Interpretation of the War," by Prof. E. R. A. Seligman, shows the validity of this generalization to explain even the cause of the war.

WE are not yet developed sufficiently to establish an hegemony in trade or finance. Paul M. Warburg, addressing the Pan-American Financial Conference last May, said: "There is no difference of conservative opinion that the United States does not aspire now to take the place of Europe's leading powers. Our own field of development is still too vast to enable us to render it even desirable for us to become the world's bankers at this stage of our own development." The statistics for January, 1916, compiled by the National City Bank, show the continued commercial supremacy of Great Britain. If, however, we are to take our proper place ultimately, in the world of industry and finance, it will be because we have read aright the plain lesson taught by the experience of England, and to a greater degree, in a briefer period, by Germany.

The American self-consciousness has not been so aroused since our Civil War —and it is always at crisis points of

existence that self-consciousness is keenest. Now, particularly, have we the proper attitude to our future? Let us view the successful experience of a quarter of a century of constructive work in another political state.

The German Empire is the product of the social consciousness of a great people dynamic for the common good. We find there the coördination of all activity under a foresighted policy. The amazing triumph of mind over matter, the spectacular service of man by mechanism, the mastery of machinery, is preëminently American. However, the conception of a purposeful political philosophy, the planning of an educational system, vocational and cultural, to serve this end, the organization, social and industrial, of its human material, the elaboration of a system to elicit effort by honors and rewards to men in all walks of life, the harmony, coördination, and efficiency, arising out of a government by commission, magnified as it were: in short, the moulding of protoplasm and personality, with reference to an ultimate end—this is the lesson of the Germany of the past quarter century. The romantic sentimentalist, a Schelling or a Schlegal, has been supplanted by the efficient man of affairs, a Ballin or a Rathenau. Whatever be the difference of any people over the aims of Germany, or their applications in a crisis, there can be naught but esteem for the nice adjustment of means to end.

In the light of such methods shall we be satisfied with a temporary and haphazard increase of our merchant marine, which will pale away at the end of the war? All restraints to the domestic building of ships must be removed by the removal of a tariff on ship-building supplies. As the industry of ocean carrying is more vital than that of ship building, there should be no hindrance after the war to the free registry of foreign vessels, permitted now by the emergency measure of August, 1914. All legislative restrictions in operating must be cast aside. Our railroads may tolerate "full crew" laws. In international competition our vessels will be driven from the seas, as have been those of the Pacific Mail. If we must have a La Follette Seaman's Law, let the Government pay the costs. Transportation, or "place utility" as the economist calls it, is basic to all industry. International transportation by sea is vital to export trade—the life-blood of domestic manufacture. The matter of government ownership, combined with private operation, successfully exemplified in the railroads of southern France, the question of subsidies, to ship builders, or ship operators, all are means which should not befog the end.

OUR firm financial position is the one permanent and not transitory result of the war. The five hundred million dollars of gold arrived at our shores the balance of trade of almost two billion, are our possessions, and in their release we are masters. For the full utilization of the financial possibilities inherent in them, we must needs remember that it is the English and German branch banks distributed in all commercial centres, and the large investments in the fixed property of their foreign customers, as well as the migration of trained men to foreign parts, that has made their export trade possible. And if England will continue to retain her four billions of holdings in South America, or if Germany will continue to

export her excess population to Argentine and Brazil, then, unless we adopt similar policies, our trade will reach Rio and the River Plate via London and Hamburg, our friendly relations with our sister republics of the south notwithstanding.

On the political side we are developing the sympathetic relation between business and government subsisting in England and Germany. The days of non-interference or *"laissez faire"* politics with its attendant evils were necessarily followed by a period of critical analysis or "muck-raking." However, we have a concrete expression of a new relation when the president of a great railroad chides the Government, as Mr. Ripley did, for not aiding business, and when the Secretary of Commerce, not taken back at the paternal attitude of government involved in the question, publicly cites cases of governmental aid to American industry in France, Bolivia and China. From another quarter we hear Mr. Vanderlip maintaining: "A clearer recognition of what international trade means to the life of the whole nation is needed. We must have the proper sympathy and coöperation of government." Upon this principle rests the rapid progress of Germany in international affairs.

IN any plan of purposeful manipulation of industrial forces for the economic advancement of our country, the minor aspects of the tariff assume a prominent role. Not revenue, and not protection is primary. First and foremost in aim is self-sufficiency, or economic independence of other countries for our manufactured products. Germany's single-handed struggle against overwhelming odds in a way to compel universal admiration, if not approval, is due to her pursuit of this course, although her industrial evolution at the present stage would indicate a free trade policy. Viewed from this angle the tariff is not a matter of politics, but of statesmanship; not a fixed attitude, but a dynamic force, changing with newly perceived demands, and with newly established means of satisfying them.

Thoughts are unborn acts. To translate plan to achievement requires a fine adjustment to purpose of one's means, whether machinery or personality. We need a new education whose two aspects, social and individual, will be idealized in service to the state, and efficiency. Our educational system instead of being provincial in outlook, must be made coextensive with the state. Instead of foci of educational endeavor for the testing of new theories as an end in themselves, there must develop an educational philosophy informed of a new purpose. The question of vocational training is not a matter of getting the boy a job. Hitch industrial education on to the purposes of the state, and the reciprocal economic needs of the individual, and of society, will be satisfied. A regulated apprenticeship system and a diversified trade education, all with governmental coöperation, responsible so largely for Germany's rapid progress, are of telling significance for us of America. The bulletin of the United States Bureau of Education on this subject by Holmes Beckwith is an illuminating exposition of a subject which has a most vital bearing upon our future economic life.

But it is not alone broadening at the base, but also heightening at its apex, that our educational pyramid needs. Here, too, the monument of Germany's host of research workers is the passing of supremacy in the field of chemistry to Germany from England—whose chemist it was—Sir William Perkins, who fifty years ago discovered the first synthetic analine color, mauve. Initiating a new policy in the United States about ten years ago, Robert Kennedy Duncan instituted at the University of Iowa, so-called industrial research fellowships in chemistry, for the purpose of bringing the mind and method of the laboratory worker to bear on technical problems. Recently Prof. Jeremiah W. Jenks, of the New York University School of Commerce, established

connections with some representative American business institutions for the analogous purpose of training men in industry. Scattered efforts like these must be coördinated and infused with large purpose. The molding of personality is new to us Americans whose reputations lie rather in the invention of machinery. The direction of the individual into the service of the state is a necessary departure from the free individualistic political philosophy to which Anglo-Saxondom is heir. But basic questions are being tested out in this war. There is no established principle of social living which has not been called upon to show its credentials, and many a cherished fallacy is *en route* to the scrap-heap of exploded ideas.

The period of English supremacy on the seas in the seventeenth century gave birth to a Newton and a Shakespeare. The era of the industrial revolution in Great Britain produced a Darwin and a Victorian literature. So, while we are concerned primarily in this presentation with the industrial results of this purposeful plan, a political state like ours becomes self-conscious, cannot but be roused during its economic self-realization, into greater achievements of the spirit.

American

THE UNITED STATES AS A WORLD BANKER

THE tendency of the United States toward a more important position with respect to international banking was referred to as follows in a recent address by Beverly D. Harris, vice-president of the National City Bank of New York, delivered at the twentieth annual convention of the American Cotton Manufacturers' Association at Atlanta:

"By reason of its wealth and strong position, the United States has been projected into the position of the world's banker for the time being.

"Although not entirely out of debt to Europe, the indebtedness is fast being wiped out and is negligible compared to the present resources of the country. When the war is over and normal conditions return, there will not be the burden of interest on American securities to be paid to Europe in exports, as heretofore.

"This will have a tendency to curtail European imports from this country, for the crippled nations of Europe cannot afford to import more goods from us than are absolutely necessary for their rehabilitation and actual needs. The necessity will be forced on them to build up and protect their gold supplies, and as those nations are creditor nations, and other countries—principally the Latin-American republics—are heavily indebted to Europe, very strong considerations will obtain for making their purchases of raw materials and

supplies, as far as possible from South America and other debtor countries—owing them—the more so as those countries produce and export similar raw materials to ourselves.

"The needs of Europe normally are essentially for raw materials, and her exports essentially manufactured products. South America's exports of raw materials are to a considerable extent of the same character as ours. It is to be expected that as normal conditions are restored, Europe will put forth every ounce of available energy to create a balance of trade against this country, to drain our gold supply, to restore her manufacturing industries, re-establish her foreign trade, and give us the hardest possible competition in all respects.

"While relatively poor, after the war and suffering from disorganization of commerce and industry and innumerable gaps in the ranks of skilled labor, with currency inflation, heavy taxation, probably a higher wage scale and emigration of its citizens to this and other countries, where conditions of life are more favorable, Europe will have some heavy handicaps."

Latin America

INVESTMENT IN CENTRAL AMERICA

By John Clausen, Manager Foreign Department, Crocker National Bank, San Francisco

LATIN-AMERICA needs capital even more than goods. In Europe they have not only found financial supporters but staunch sympathizers with their cause and aspirations, tending in a measure to establish strong and seemingly immovable foundation for their commercial edifice.

The transfer of our securities from Europe—and the possibility of retention here—will keep millions of dollars of interest money at home, which with a foreign trade balance draining European nations of their gold is a potent factor in making this country the only nation which can boast of a surplus of gold and credit, with full capacity for absorbing new investment enterprises.

The Central American Republics are keenly alive to the possibility of opening new financial connections necessary to the exploitation of their vast natural resources, and the capital interests of the United States and the bond-buying part of our population should disabuse their minds of the idea that all their securities are doubtful and risky. These countries want a market in the United States for their national, state and industrial bonds, and it is estimated we could at the present time readily so invest half a billion dollars or more, which would tend to create a corresponding increase in our trade with that section.

We must be prepared to carry out both ends of our commercial bargains and supply new capital where needed to make up the difference between sales and purchases. This has proven our deepest problem and we cannot look for its solution until at least part of the financing in foreign countries is cared for with American capital, which would prove the strongest commercial bond with the greatest possibility for the upbuilding of permanent trade.

There are few countries which offer the evidence of financial strength as does the United States, making it all the more important for our merchants and bankers to encourage foreign commercial activities and capture as much of the trade as possible.

With our estimated annual income of about thirty-five billion dollars and with an approximate annual saving of six billion dollars we have a large fund available for investment, and on the ability wisely to invest this substantial sum mainly rests the future prosperity of our country.

These interesting figures, however, also serve to demonstrate the desirability of continuing to increase our savings as fast as it becomes necessary, but not to the extent of creating idle capital—an exceedingly unhealthy state of

affairs—and this primarily demands our immediate and most serious consideration.

It is essential that the Americans individually and collectively continue expanding their wealth in order to emancipate American commerce from foreign mediation and through investment lay a firm foundation for the interchange of commercial relations between themselves.

We must organize not alone for forces of production, but provide new avenues for the employment of capital as well, which will prove the strongest incentive to a more complete and harmonious understanding of the customs and business methods of our new debtors. We can now secure a strong foothold even in long-established markets through investments—followed by increased purchasing power—and the active co-operation of capitalists in undertaking to distribute the securities of our southern neighbors in local markets would advance us a step further in the right direction.

We must take the broader view and recognize clearly that if we act with enterprise, intelligence and resolution, many advantages can be obtained in making real and concrete our aspirations for international trade expansion.

Discretion in making investments beyond our own borders is, however, very essential—as is the good faith of the Governments and loyal intention of investors and borrowers alike. The monetary systems of the countries dealt with are also of importance.

In Central America we find a variety of monetary standards—with gold, silver, bi-metallic and inconvertible paper circulation—and while this in itself is a study, it would seem a matter of great concern for these republics to arrange a more uniform medium of exchange, recognizing the essential advantages of a metallic system as against fiat and inconvertible paper issues.

In treating with our neighbors in Central America, it is felt that they will readily accede to any justifiable demands which may be deemed necessary in amendments to their legislation, appreciating—as do the people of the United States—that the republics of this hemisphere should be knit together by commercial and financial ties more closely than they have ever been before.

May I affirm—in conclusion—that a more active co-operation for constructive upbuilding in Central America of our financial machinery be inaugurated on a scale commensurate with modern needs and opportunities—combining every interest in co-ordinating our foreign trade activities, similarly as that initiated by our European contemporaries who so enviably have succeeded in securing a foothold in all parts of the world. It is necessary that we fit ourselves by adequate training and experience, with the full conviction in mind

that the unprecedented opportunities now within reach are dependent upon the efficiency of our business structure and idealism for an understanding and appreciation of the great value of permanent foreign commerce.

BANKS OF BUENOS AIRES

THE accompanying statements of condition of the banks of Buenos Aires has been furnished THE BANKERS MAGAZINE through the courtesy of Messrs. Ernesto Tornquist & Co., Ltd.:

BANKS OF BUENOS AIRES—PERCENTAGE OF CASH TO DEPOSITS—FIGURES CONVERTED INTO GOLD COIN

Banks	Deposits	Cash	Per cent. Jan. 1 1916	Per cent. Dec. 1 1915
Alemán Transatlántico	$16,852,503	$5,697,942	33.81	34.38
Anglo Sud-Americano	6,070,971	2,722,823	44.85	42.32
Británico de la A. del Sud	21,101,328	8,610,648	40.81	36.66
Castilla y Río de la Plata	94,023	38,245	40.61	37.60
Comercial Italiano	6,243,103	1,665,148	26.67	32.39
España y América	234,099	122,082	52.15	54.35
Español del Río de la Plata	61,411,695	14,804,083	24.11	26.18
Francés é Italiano	3,822,887	1,465,591	38.35	45.12
Galicia y Buenos Aires	5,404,514	1,678,288	31.05	30.34
Germánico de la A. del Sud	6,098,307	1,265,360	20.75	36.41
Holandés de la A. del Sud	8,145,400	2,071,728	25.43	30.31
Italia y Río de la Plata	30,422,009	6,829,560	22.45	28.67
Italo-Belga	5,953,463	1,509,946	25.36	46.31
Londres y Brasil	7,257,658	2,921,511	40.25	45.64
Londres y Río de la Plata	62,479,740	32,647,791	52.25	56.46
Nación Argentina	303,904,165	170,976,305	56.26	55.71
Nuevo Italiano	16,073,018	4,206,558	26.17	27.90
Popular Argentino	9,094,547	2,727,670	29.99	28.48
Provincia de Buenos Aires	60,096,780	17,054,503	28.38	28.39
Suizo Sud-Americano	3,817,370	2,146,947	56.24	38.11
The National City Bank of New York	11,460,712	1,747,366	15.25	18.92
Four banks with less than one million dollars capital in national money	241,308	151,128	62.63	90.51
Total	$646,279,600	$283,061,225	43.80	44.88

ARGENTINE GOLD RESERVE

THE gold deposited in the Argentine conversion fund on February 22, amounted to $245,106,497, the immobilized part of the fund in the Bank of the nation was $10,000,000, while $60,900,457 of gold was deposited in Argentine legations abroad—a total of $316,006,954. This was against a paper note issue of $988,488,584 (equivalent to about $434,934,977 in gold, valuing the paper dollar at 44 cents). The gold reserve against notes is thus 72.65 per cent.—the highest ever reported.

AGRICULTURAL BANKS FOR ARGENTINA

SEVERAL schemes providing for the establishment of agricultural banks which were presented to the Argentine Congress some time ago have been side-tracked for the present.

Some of the banks, and especially the Banco de la Nación, are, however, trying to help the agricultural communities to finance the crop, by means of warrants, in such wise as to prevent undue price manipulations by speculators. Up to the end of December last these advances reached the amount of paper $72,292,537, and during January amounted to paper $5,207,876.

COMPARATIVE STATEMENT OF BANKS OF BUENOS AIRES

Banks	Fixed deposits, current accounts and savings deposits		Discounts and advances		Cash in the country		Paid-up capital or capital allocated to bank in Argentina	
	Gold	National Money	Gold	National Money	Gold	National Money	Gold	Nat. Money
Alemán Transatlántico	$1,914,430	$33,950,165	$1,318,844	$30,774,858	$1,798,112	$8,863,249	$3,650,000	....
Anglo Sud-Americano	442,329	12,792,369	873,759	25,681,027	280,867	5,549,901	2,475,000	$5,713,636
Británico de la A. del Sud	980,461	45,729,244	913,469	25,352,995	1,577,614	15,984,169	4,536,000	....
Castilla y Río de la Plata	......	213,689	....	1,267,183	....	86,921	....	2,906,400
Comercial Italiano	485,880	13,084,598	134,957	14,652,409	375,195	2,931,712	....	4,998,120
España y América	......	532,043	....	1,197,045	....	277,460	....	1,243,530
Español del Río de la Plata	1,066,120	137,149,034	666,287	187,114,947	1,286,621	30,721,504	....	97,942,980
Francés é Italiano	201,822	8,229,693	162,920	9,594,062	94,897	3,115,213	2,500,000	....
Galicia y Buenos Aires	3,560	12,274,895	1,389	19,756,501	11,207	3,788,821	....	16,910,760
Germánico de la A. del Sud	261,718	13,264,976	277,799	28,113,175	351,685	2,076,534	1,729,000	....
Holandés de la A. del Sud	4,425	18,502,216	92,034	17,149,674	14,491	4,675,538	1,250,000	....
Italia y Río de la Plata	909,998	67,072,752	1,608,693	84,964,971	1,087,480	13,050,184	10,000,000	....
Italo-Belga	80,671	13,347,255	....	8,882,488	55,079	3,306,517	1,000,000	....
Londres y Brasil	463,340	15,441,632	794,517	11,432,868	1,012,103	4,339,564	1,268,190	1,950,000
Londres y Río de la Plata	3,981,862	132,949,722	2,795,829	72,338,881	4,617,103	63,706,109	4,250,000	....
Nación Argentina	3,610,871	682,484,759	420,998	439,553,751	10,072,716	365,689,974	....	128,000,000
Nuevo Italiano	215,102	36,040,718	51,225	35,218,179	294,464	8,891,122	....	5,000,000
Popular Argentino	617,593	19,265,805	739,272	32,192,221	503,642	5,054,611	....	16,510,767
Provincia de Buenos Aires	255,608	136,002,665	389,070	149,361,693	1,320,423	35,759,273	....	62,192,975
Suizo Sud-Americano	203,790	8,212,681	43,672	7,872,751	203,895	4,416,027	2,000,000	....
The National City Bank of New York	5,855	26,033,765	....	25,065,510	87,375	3,772,708	....	2,355,454
Four banks with less than one million dollars capital in national money	......	548,427	....	2,188,485	....	343,472	137,000	1,900,272
Total Jan. 1, 1916	$15,705,435	$1,433,123,103	$11,284,734	$1,229,725,674	$25,044,969	$586,400,583	$34,795,190	$341,624,894
Total Dec. 1, 1915	16,374,659	1,431,906,478	9,589,081	1,220,199,382	26,921,851	598,126,043	34,795,190	341,591,415

Great Britain

NATIONAL DRINK BILL FOR 1915

IN his annual estimate of the National Drink Bill, Mr. G. B. Wilson, secretary of the United Kingdom Alliance, states that the amount expended on alcoholic liquors during 1915 was £181,959,000, an increase of £17,496,000, or 10½ per cent. over 1914. This increase is accounted for in detail as follows:

	Expenditure. £	Consumption.
British spirits	+ 3,838,000	+ 2,437,000 proof gals.
Foreign spirits	+ 1,401,000	+ 889,000 proof gals.
Beer	+ 12,667,000	— 4,781,000 bulk bbls.
Wine	— 410,000	— 460,000 gallons

The rise in foreign spirits is wholly due to the increase of 929,000 proof gallons in the consumption of rum consequent upon its increased use by the military authorities. The consumption of beer has declined, but the total expenditure shows a rise, owing to the increased price. The average expenditure on alcoholic liquors was £3 18s 11d per person, as against £3 10s for 1914, and £19 14s 7d, against £17 14s 2d per family of five persons. The figures for total expenditure include the amount paid in taxation, roughly £60,300,000, distributed in the following proportion:

	£
Spirits	25,800,000
Beer	33,500,000
Wine	1,000,000
	60,300,000

The increase in duties on beer during the year amounted to £22,210,000; to correspond with this prices were advanced sufficiently to yield £27,864,000 over the pre-war rate of 57s per bulk barrel. The brewing trade thus made a profit of 5½ millions out of the public over the additional duties. The following table shows the total consumption and cost of alcoholic liquors from August, 1914, to December, 1915, inclusive:

	Quantities.	Cost £
Spirits (proof gals.)	49,113,000	77,353,000
Beer (bulk bbls.)	45,247,000	158,647,000
Wine (gals.)	13,983,000	12,585,000
British wines (gals.)	21,250,000	2,125,000
		250,710,000

(Of this amount about £78,000,000 went in taxation.)

Mr. Wilson, in commenting on these figures, attributes the unexpected increase partly to the extraordinarily high rate of wages, which has led to an "abnormal development of the practice of treating" and an increase of drinking among women, partly to the tremendous upheaval of normal family life, caused by enlistment and by the unnatural conditions of labor. With regard to the effect of the restrictions imposed since last July by the Liquor Traffic Central Control Board, he considers it as yet too early to draw any definite conclusions; however, it may be admitted that but for these restrictions the increase in the consumption of drink would have been even larger and more unprecedented than it now is.

Australasian

COMMONWEALTH NOTE ISSUES

BETWEEN December 30, 1914, and December 29, 1915, the note issues of the Commonwealth of Australia rose from £19,831,417 to £41,766,123, and the gold reserve from £7,987,526 to £14,965,317. The ratio of gold to notes was 35.75 per cent. on December 29,

1915, compared with 40.27 per cent. on December 30, 1914.

BANK OF AUSTRALASIA

AS a result of the half-year's operation of this bank £170,000 were applied to dividends and bonuses; £40,000 were appropriated to reserve fund and £113,353 carried forward.

STRENGTH OF THE BANKS

IN commenting on the subject of "Gold and the Commonwealth Government," the "Australasian Insurance and Banking Record" takes occasion to pay the following tribute to the strength of the Australasian banks:

"That the Commonwealth Government has been able so far to carry out an erroneous policy with relative impunity has been due to the exceedingly strong banking position, the conspicuous strength of which at the outbreak of the war was the result of a thoroughly sound policy consistently followed by the banks during a long series of years. Remote from the rest of the world, Australasian bankers have recognized the desirability of preserving a full proportion of cash to liabilities, and as the latter have increased with the progress of Australia and New Zealand in wealth, the amount of cash has been increased in corresponding proportion. Taking the quarterly average returns to 30th June for Australia and New Zealand, the following is a comparison of the total coin and bullion held at intervals since 1901:

June 30—	Australia.	New Zealand.	Total.
	£		
1901	19,780,528	3,006,152	22,786,680
1905	21,490,355	4,000,598	25,490,953
1910	30,143,555	4,994,850	35,138,405
1914	36,092,975	5,500,450	41,593,425

"A steady increase is shown by these figures, and it is only after making provision for the increase required in proportion to the growth of deposits that the banks have considered themselves free to undertake the shipment of gold.

"Adding Australian notes held by the banks, the total amount of coin, bullion and Australian notes held in Australia for the quarter ended 30th June, 1914, immediately before the war, was £40,-069,976, or in Australia and New Zealand together £46,570,426. Thus between 1901 and 1914 the cash holdings of the banks more than doubled, while since 1914, although the gold held by the banks has declined in consequence of the note policy of the Commonwealth Government, the total amount of cash held by the banks in the form of coin, bullion, and Australian notes, has further increased, the latest total, as shown

on another page, being £52,411,980 for Australia alone, or £59,362,496 for Australia and New Zealand together.

"The exceedingly strong position of the banks at the outbreak of the war enabled them to give assistance to state governments, the New South Wales Government for example being able to borrow from its bankers at a time in the early stages of the war when a collapse of employment was feared; and it also enabled them to assist the Commonwealth Government by providing the latter with gold, wherewith to enlarge the reserve against the note issue.

"Looking at all the circumstances it is plain that the strength of the banks has been the great source of strength of Australian public and private finance during the war. The guiding principles upon which they have acted have been shown to be correct when the results have been put to the severe test of war, and there is consequently every presumption that in seeking to export gold under present circumstances the banks are exercising an equally sound judgment."

Banking and Financial Notes

EASTERN STATES

New York City

—The Bank of New York, N. B. A., recently celebrated the one hundred and thirty-second anniversary of its organization. This institution is the oldest in the state. It was organized March 15, 1784, Alexander Hamilton being one of its founders. It has occupied its present site at Wall and William streets since 1798 with the exception of a brief period in 1799, when a yellow fever epidemic forced it to temporarily locate in Greenwich Village, and again in 1822 because of an epidemic.

—Knauth, Nachod & Kuhne are planning to remove their offices May 1 from 13 William street to the Equitable building, where extensive offices are now being fitted up on the third floor for their occupancy.

—J. B. Birmingham, who formerly was connected with the Citizens' Central National Bank, has been appointed

manager of the transit department of the Atlantic National Bank.

—John H. Allen has been elected a vice-president of the National City Bank. Mr. Allen is a manager of the Buenos Aires branch of the National City.

—Edward Townsend, heretofore president of the Importers and Traders National Bank, has been elected to the newly created office of chairman of the board. He is to be succeeded as president by H. H. Powell, who was previously vice-president and cashier. E. P. Townsend, a son of Edward Townsend, has been elected cashier to succeed Mr. Powell. Mr. Townsend, Sr., has just completed fifty years of service with the Importers and Traders.

—R. E. Saunders, New York agent of the National Bank of South Africa, Ltd., has been notified that his bank has opened a new branch at Malvern, Natal, South Africa.

—The United States Mortgage and Trust Company has issued a pamphlet entitled "Municipal and Corporation Bonds—Their Preparation and Certification." The pamphlet contains some valuable information on this subject.

—At the recent annual meeting of the Authorized Bankers Association of the State of New York, the following were chosen to serve as officers during the coming year:

President, Richard M. Lederer of Lederer's Banking House; vice-president, Raymond Guarini, of Guarini & Candela; treasurer, Emil Kiss; secretary, Karl Schenk, of the firm of John Nemeth; governors: officers and Jacob L. Markle, of Markle Brothers; Joseph Sessa and Raphael Scotto.

—Over 200 employees of the American Exchange National Bank listened to telephone conversations between bank men in Chicago and San Francisco at a recent banquet held in New York.

Talks were exchanged between Lewis L. Clarke, president of the American Exchange National Bank in New York, and Frank B. Anderson, president of the Bank of California, N. A., in San Francisco, and D. A. Moulton, vice-president of the Corn Exchange National Bank in Chicago. Mr. Moulton then relayed by speaking over long distance from Chicago to Mr. Anderson in San Francisco. Then followed two musical selections, over the telephone, from coast to coast, after which Walter H. Bennett, vice-president of the American Exchange National Bank, talked with Mr. F. L. Lipman, vice-president of the Wells Fargo Nevada National Bank in San Francisco. Later he talked with Mr. Lynch in the city by the Golden Gate.

Other conversations were between Geo. C. Haigh, vice-president of the American Exchange National Bank in New York, and W. R. Pentz, assistant cashier of the Bank of California, N. A., in San Francisco, Mr. Arthur Reynolds, vice-president of the Continental and Commercial National Bank in Chicago, and President Lynch of the American Bankers Association in the Pacific Coast city. The roar of the western ocean was heard over the wire by all, who at the same moment witnessed in motion pictures the breaking of the combers on the rocky shore of California. The occasion was concluded with the "Star-spangled Banner," played in

San Francisco, the while its stirring strains reached the East by wire.

—It has been learned that the National City Bank, which recently acquired a controlling interest in the International Banking Corporation with its sixteen foreign branches, does not propose to absorb the corporation, but will operate the foreign offices under existing conditions. It was explained that officials had reached the determination not to absorb the International Corporation because of the fact that the corporation, operating under a Connecticut charter, and not under the National Banking act, has the right to engage in certain lines of business which the bank is barred from transacting. This is particularly the case in the matter of loans made on real estate collateral.

The National City Bank now has branches in Buenos Aires, Rio de Janeiro, Sao Paulo, Montevideo, Santos and Havana. It also recently established a Russian division with agencies in London and Petrograd. The branch offices of the International Banking Corporation are located in Bombay, Colon, London, Calcutta, Hankow, Manila, Shanghai, Canton, Hong Kong, Panama, Singapore, Cebu, Tientsin, Kobe, Peking and Yokohama.

—At a recent meeting of the board of directors of the Mechanics Bank Harry M. DeMott was elected president of that institution to fill the vacancy caused by the death of Charles G. Balmanno. Mr. De Mott has been connected with the Mechanics Bank for about thirty years, having first entered its employ as a messenger. He has successively filled the position of teller, assistant cashier, cashier, vice-president and president.

—On April 14 the Brooklyn Trust Company celebrated the fiftieth anniversary of its incorporation. The noteworthy growth of this institution is evidenced by the fact that deposits have grown from $15,894,457 in 1906 to $37,272,209 on April 1, 1916. Edwin P. Maynard is president of the Brooklyn Trust Company.

—Among the speakers at the third annual dinner of the Forum Section of the New York Chapter of the A. I. B., which was held at the Hotel Brevoort on March 29, were: Romaine A. Philpot, chairman of the section; Victor A. Leraner, comptroller of the Williamsburgh Savings Bank; Joseph A. Seaborg, of the Bankers Trust Company, president of the New York Chapter; O. Howard Wolfe, assistant cashier of the Philadelphia National Bank and past president of the New York Chapter; Jason A. Nielson, manager of the foreign department of Brown Brothers & Co., and past president of the New York Chapter; George E. Allen, educational director of the A. I. B.; Fred W. Ellsworth, publicity manager of the Guaranty Trust Company; A. L. Boyce

of the Ellis Adding Machine Company; F D. Bartow, vice-president of the First National Bank; Dr. Whitehall, instructor of English, New York chapter, and Calvert Brewer, vice-president of the United States Mortgage and Trust Company.

—According to the statement issued by the Guaranty Trust Company of New York, in response to the call of the superintendent of banks, the deposits of that institution on March 17 were $470,194,816.46. This represents a gain of more than $210,000,000 in one year.

In the same period the total resources increased from $354,618,803.77 to $580,021,359.17.

—At a meeting of the board of directors of the Fifth Avenue Bank, held April 6, Rolland G. Monroe, of the firm of Monroe, Paris & Co., was elected a director to succeed the late Gardner Wetherbee.

—The Liberty National Bank paid a quarterly dividend of 7½ per cent. on April 1 to stockholders of record March 31. This is an increase in the quarterly distribution, five per cent. having been the rate previously. The Liberty National has also paid five per cent. extra in January for several years past.

—T. J. McLaughlin has been elected vice-president of the Broadway Central Bank.

Philadelphia

—As a result of the absorption of the National Bank of Northern Liberties by the Bank of North America, eight new members have been added to the board of directors of the latter institution. These are: Joseph Moore, Jr., John W. Pearce, George Fales Baker, N. Myers Fitler, Walter S. Rossmassier, Harry S. Ehret, Grahame Wood and

W. Kirkland Dwier. All except Mr. Dwier were formerly directors of the National Bank of Northern Liberties.

—Stanley E. Wilson was recently appointed an additional cashier at the Central National Bank.

—The Fidelity Trust Company recently celebrated the fiftieth anniversary of its incorporation. This company was incorporated in 1866 with a capital of $250,000. Its present capital is $4,000,000 and the surplus and undivided profits are $12,843,648. Deposits have increased from $215,000 to over $34,300,000. Total trust funds under the guardianship of the Fidelity Trust Company have increased from $4,700,000 in 1873 to over $204,000,000 at the present time.

—Stanley E. Wilson has been appointed assistant cashier of the Central National Bank of Philadelphia.

Pittsburgh

—The Continental Trust Co. has added to its surplus $50,000, increasing this item from $150,000 to $200,000. The quarterly dividend payable April 1 has been increased from $1\frac{1}{4}$ to $1\frac{1}{2}$ per cent.

—On April 17 the directors, officers and employees of the People's Savings Bank celebrated the fiftieth anniversary of the founding of this institution by a dinner at the University Club. The dinner was also attended by the directors, officers and employees of the People's National and the Safe Deposit and Trust Co.

—"The national banks of Pittsburgh, in the March 7 reports made to the Comptroller of the Currency, established a new high total of deposits," says the People's National Bank of Pittsburgh in its April trade letter. "Compared with the December 31 (1915) returns there was an increase of about $23,000,000, while the gain for the year exceeded $76,000,000.

"In the completed abstract of the Comptroller, embracing returns from all the National banks of the country as of December 31, a very curious fact is disclosed, namely, that time deposits in the national banks of Pittsburgh subject to 30 or more days' notice foot up a larger sum than similar deposits in any other city in the United States. On the date named these deposits in Pittsburgh totaled $13,720,351, against $13,427,509 for New York, only $1,609,568 for Philadelphia, and $4,502,263 for Chicago. There was only one other city in the country (Milwaukee with $11,013,878) that disclosed a similar policy on the part of depositors in this respect. In other words, the time deposits of New York City banks were only 1 per cent. of aggregate deposits, while in Pittsburgh they were 10.8 per cent.

"The only explanation that suggests

itself for this disparity—which, however, may not be the true explanation—is that nearly a score of years ago an unhealthy competition for deposits was started in Pittsburgh, the effect of which was to attract to this center a certain amount of outside funds which were not naturally tributary to this market. At that time a straight 6 per cent. rate was obtainable on virtually all classes of loans, and under the then existing conditions banks were able to pay relatively high rates for time deposits. It is possible that these outside depositors still have the habit of throwing upon the banks the profitable employment of their surplus. Naturally, time deposits bear a higher rate of interest than deposits subject to check. The facts and figures emphasize what has been said concerning the desirability of a readjustment in rates."

—The Cumberland Trust Co. of Bridgeton, N. J., has moved into its new home on the corner of Commerce and Pearl streets. The structure is an unusually handsome individual bank building, erected by Hoggson Brothers of New York, who built the entire edifice under their single contract method. The architects were Ford, Butler & Oliver of New York.

The Cumberland Trust Co. of Bridgeton was organized April 22, 1896, with the following officers: Benjamin Hancock, president; George B. Langley, vice-president, and John S. Ware, secretary and treasurer. Today the capital, surplus and profits exceed $300,000, and the bank's business is under the direction of Richard M. More, president; George B. Langley, vice-president; James S. Warre, vice-president and trust officer; John S. Ware, secretary and treasurer; Charles C. Woodruff, assistant treasurer, and John C. Spencer, assistant secretary.

—The Seacost National Bank of Asbury Park, N. J., has applied to the New Jersey Banking Commission for a trust company charter. The new institution will be known as the Seacost Trust Co. Liquidation of the bank's assets has already been started and the Seacost Trust Co. expects to be ready to begin operations within a few months. The Seacost National Bank has a capital of $100,000 and deposits of about $1,200,000.

—G. E. Langford, formerly assistant cashier of the First National Bank of Pittston, Pa., has been elected cashier of that institution to succeed Charles S. Crane, who recently resigned.

—It has been announced by the directors of the Second National Bank of Utica, N. Y., that it is their intention to organize the Oneida County Trust Co. with a capital of $250,000. The directors will surrender their national bank charter and make application for a trust company charter. transferring the bank organization to the new company, the Oneida County Trust Co.

—The Union National Bank of Scranton, Pa., is now located in its

magnificent new building which is the newest and tallest office structure in the city of Scranton.

NEW ENGLAND

Boston

—Governor McCall of Massachusetts has vetoed the bill before the legislature of that state permitting the appointment of national banks as trustees, administrators, executors, etc. This action was taken pending the decision of the supreme court on the constitutionality of the provision.

—The First National Bank has issued another pamphlet in the series known as "The Wealth of America." It is entitled "Coal," and contains a very interesting and informing article on America's coal resources.

—The Harvard Trust Co. of Cambridge, Mass., has petitioned the Massachusetts Board of Bank Incorporation for authority to establish a branch in the rapidly growing mercantile district near Kendall square, Cambridge.

—E. M. Farnsworth has succeeded William E. Lincoln as treasurer of the Brookline Savings Bank. Mr. Lincoln has been president of this institution since 1879 and during his thirty-seven years of service the bank's deposits have increased from less than $100,000 to over $7,000,000.

—H. A. Allen, formerly cashier of the Holyoke National Bank of Holyoke, Mass., has been elected to the newly-created office of second vice-president of the City Bank and Trust Company of Hartford, Conn. Mr. Allen began his banking career over twenty years ago in the Haydenville Savings Bank of Haydenville, Mass. He has been associated with the Home National Bank

of Holyoke, Mass., the Hampshire County National Bank of Northampton, Mass., and the Hartford National Bank of Hartford, Conn.

—At a meeting of the directors of the Travelers' Bank and Trust Company of Hartford, Conn., Louis F. Butler, president of the Travelers' Insurance Company of Hartford, was elected president of the former institution. Mr. Butler succeeds Sylvester C. Dunham, who died last October.

—Holmes & Winslow of New York are the architects of a new business block at Sanford, Me., which will contain banking rooms for the Sanford Trust Company. It will be a modern four-story brick structure with all modern equipment.

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—The continued growth of Richmond financial institutions is illustrated in a compilation of reports made in accordance with the last request of the Comptroller of the Currency at the close of business March 7. The total assets of all the banks of Richmond on that date amounted to $85,014,806. The previous call December 31 showed total assets at $83,231,648, and previous to that, November 10, $82,166,245. It will thus be noted that the assets have steadily increased for the past seven or eight months.

The total deposits March 7 were $60,285,088; December 31, $58,445,824, and November 10, $56,558,979, showing a steady and substantial increase in deposits.

The above report does not include the Federal Reserve Bank of Richmond.

Banking conditions in Richmond are eminently satisfactory except that the demand for loans is not as great as some of the banks would like to see. This, however, business men regard as a good sign and shows that the South is enjoying the prosperity that is apparently sweeping the entire country.

While the reports show the assets and deposits in Richmond banks are growing steadily, recent reports from the Clearing-House show that Richmond is leading every city in the South in the percentage of increase of clearings for stated periods compared with corresponding dates last year.

—Discussing the remarkable increase in the bank clearings of Richmond and the rapid growth of the banking business in this section, J. W. Sinton, secretary of the Clearing-House Association of Richmond, made the following statement:

"The report of the bank clearings of Richmond for the year 1915 showing an increase of $115,710,669 over 1914 has attracted attention and it appears

that some have assumed that this increase is largely due to operations of the Federal Reserve Bank of Richmond by which has been added to the clearings a volume of business which cannot properly be claimed as business of the banks of Richmond.

"With the view of ascertaining in what manner the clearings of Richmond have been affected by the operations of the Federal Reserve Bank we have made investigation and have compiled comparative statements which warrant the conclusion that the clearings of the Federal Reserve Bank represent only actual bank transactions such as constitute the daily clearings of the national and state banks of the city.

"It was known prior to the establishment of the Federal Reserve Bank of Richmond that a large volume of checks was sent direct to the banks on which they were drawn and consequently did not appear in the clearings, and our investigation discloses the fact that a large percentage of the daily clearings of the Federal Reserve Bank in 1915 was business which was formerly sent direct to the drawee banks, and this business diverted to the Federal Reserve Bank properly shows in the daily clearings.

"It was also found that when, under arrangements made by the Clearing-House Association of Richmond and the Federal Reserve Bank of Richmond with the New York Clearing-House and the Federal Reserve Bank of New York, checks on Richmond became acceptable in New York for immediate credit at par, many banks throughout the country, whose custom it had been to request their Richmond correspondents to charge their account and remit to New York for their credit, commenced sending their checks on Richmond direct to New York for credit, and these checks collected through the Federal Reserve Bank of Richmond make a considerable volume of business not formerly appearing in the clearings.

"The operations of the Richmond Country Clearing Association had little effect upon the clearings of 1915, it being late in December before the asso-

ciation was fully organized for handling business. Large amounts are, however, daily withdrawn from the clearings by their method of settlement with the member banks, which requires that all checks of Richmond received in payment of collections shall be turned over to the banks on which they are drawn.

"The Richmond Country Clearing Association has no connection with, and none of its business passes through the clearing-house. This is unlike other cities where country collections are handled by the clearing-house and counted in the clearings when sent out for collection, and items for which remittances have not been received within a stated time are charged back to the depositing bank and the amount again put through the clearings. This process of "padding" continued day after day increases the volume of the clearings to an extent beyond calculation.

"In this connection we would say that the different methods of handling and reporting bank clearings and the fact that a large percentage of bank transactions do not pass through the clearing-house shows that bank clearings are unreliable as a guide to the volume of banking business. The clearing house section of the American Bankers Association took this matter up some years ago and began the collection of statistics giving the total of all debits against deposit liabilities as showing more accurately the actual business transacted."

—Caldwell Hardy, former president of the Norfolk National Bank, who was appointed Federal Reserve Agent for the Fifth Reserve District to succeed William Ingle of Baltimore, has assumed active charge of his duties in connection with the Federal Reserve Bank of Richmond. Bankers and business men of Richmond join with Norfolk in expressing keen satisfaction over the appointment and Mr. Hardy will be given a cordial welcome into

the financial circles of Richmond, which has taken a place among the leading financial cities of the country.

Mr. Hardy is one of the best known bankers in the South. He will succeed William Ingle, who resigned the position February 15 to accept the presidency of the Baltimore Trust Company.

Mr. Hardy was the first president of the Virginia Bankers Association and is the only Virginian ever elected to the presidency of the American Bankers Association. He was also a member of the executive council of the Virginia Bankers Association.

—With definite information that the DuPont Powder Company will establish a big plant on the York River near Williamsburg at once, interest in the proposed railroad from Urbanna to West Point has received new impetus and officers of the Richmond, Rappahannock and Northern Railroad assert that the work of construction will begin in the very near future. The entire Peninsular territory will be benefited by the establishment of the new industry on the York River which can be easily reached from West Point.

Orders have been given for the erection of the new powder plant and the C. & O. Railway Company has been asked to construct a spur track from Williamsburg to the site for the proposed munition factory, the track to be completed within thirty days.

It is said that other industries will be established at West Point and on the York River near that city and each of these large plants will add to the importance and value of the new Urbanna-West Point route.

Oliver J. Sands, president of the American National Bank, and other financial men of Richmond, are keenly interested in the building of the new road, which will greatly add to the commercial importance of this city and section.

—The board of directors of the Norfolk National Bank of Norfolk, Va., have elected W. A. Godwin president of that institution to succeed Caldwell Hardy, who has resigned to accept the office of Federal Reserve Agent of the Federal Reserve Bank of Richmond.

W. A. Godwin
RECENTLY ELECTED PRESIDENT, NORFOLK NATIONAL BANK, NORFOLK, VA.

Mr. Godwin, who was formerly cashier, is a native of Norfolk and has been connected with the bank for the past thirty years, having entered its employ as a messenger six months after its organization. He was educated at Norfolk Academy and began his banking career at the age of seventeen. He has served in practically every position in the bank. Mr. Godwin is widely known and popular not only in banking circles but in the city at large.

—The officers and directors of the Canal Bank and Trust Company of New Orleans recently issued a pamphlet in recognition of the eighty-fifth anniversary of the founding of the bank. The pamphlet contains a very interesting facsimile reproduction of the statement of condition of the bank issued on June 25, 1832. At that time the Canal Bank showed total resources of $5,333,840.36. The Canal Bank was chartered in 1831 for the purpose of financing the construction of a navigation canal, connecting the then American port of the City of New Orleans, Faubourg St. Mary, with Lake Pontchartrain. It was the first of a series of banks known then as "improvement banks." The charter of 1831 allowed extensive banking privileges, and when the canal was completed the company continued its banking business and has ever since fulfilled a most important function in the upbuilding of New Orleans, commercially and industrially.

On March 5 the Canal Bank had total resources of over $19,000,000 and deposits of over $16,000,000. The present officers of the Canal Bank are: W. R. Irby, president; Wm. P. Burke, chairman of the board; James P. Butler, Jr., George W. Clay, J. B. Levert, D. D. Curran, Wm. T. Hardie, vice-presidents: F. Dietze, Jr., cashier; E. M. Toby, L. H. Moss, L. B. Giraud, H. Dabezies, assistant cashiers.

—G. H. Albers, who was vice-president of the Alamo Trust Company when that institution was absorbed by

the West Texas Bank and Trust Company of San Antonio, Texas, has been made an active vice-president of the latter institution.

—George B. Talliafero, president of the Commercial Loan and Trust Company of San Antonio, Texas, has been made a director of the Citizens Bank and Trust Company.

WESTERN STATES

Chicago

—"A good deal of 'winter killing' has been reported in the winter wheat sections of the Central West," says the National City Bank of Chicago in its April trade letter, "and it is evident that a considerable period of growing weather, with proper moisture, will be needed to bring about the best results. Winter wheat has suffered from drought in parts of Texas and also in Oklahoma. In other sections more favorable conditions are reported. It is too early, however, to tell what the real position of the crop is likely to be. This is the season when the crop is usually 'killed' by prognosticators—whose April forecasts are often very unreliable. It will be two or three weeks yet before it is possible to tell how conditions compare with those normally encountered in other years. Seeding of spring wheat may be delayed a little, unless weather conditions in the Northwest become more favorable in the near future. The Government's March figures show that wheat reserves are excessive and that the farmers are not in any haste to dispose of their holdings. The farmer is naturally a bull when it comes to the price of wheat, and thus far he has apparently judged the situation wisely, and unless the Russian supply should become soon available, the chances are that he will come out pretty well on the deal."

—Robert Rintoul, for many years manager of the Chicago branch of the Bank of Montreal, has retired at the age of sixty-four. This is four years beyond the retirement age set by this institution. Mr. Rintoul has been in the service of the Bank of Montreal for almost forty-two years.

—Frank F. Winana, formerly with the Northern Trust Company, has been made a sales manager in the bond department of the Illinois Trust and Savings Bank.

—The Live Stock Exchange National Bank has instituted a "merit system" whereby quarterly cash prizes will be awarded to the five employees ranking highest in a competition based on deportment, neatness, accuracy, courtesy, etc. Each employee who has been with the bank less than ten years is entered in the competition.

—The capital stock of the North Western Trust and Savings Bank has been increased by $100,000. The increase at $175 per share was paid in on April 7, increasing the capital from $300,000 to $400,000 and the surplus from $125,000 to $200,000.

—"The usual reports of damage to winter wheat on account of insufficient snow covering are now coming to hand," says the April trade letter of the National Bank of the Republic, "and are injecting an element of strength into wheat prices which were prone to sag under the weight of large supplies and diminished exports. It is too early to learn the exact extent of the winter-killing, although it is evident that the Southwest has suffered the most in this respect and Kansas and Nebraska the least. There is an unprecedented amount of wheat in the country, especially on farms. Receipts at primary markets are in excess of a year ago notwithstanding the shortage of cars on western roads. Millers are buying freely but exports of both wheat and flour have contracted notably. Competition of foreign wheat in the European markets is now the most important price factor. Canada is moving her large reserves as rapidly as transportation facilities will permit, India's harvest is turning out well, Argentina and Australia are moving wheat more freely while there is a renewed possibility of the enormous stores of Russia and Roumania reaching the world's markets."

—The Southwest Merchants State Bank is planning to erect a three-story bank and commercial structure to be located at the southwest corner of Ashland avenue and Fifty-first street. Leases for this site have been acquired.

—M. Haddon MacLean has been elected secretary of the Harris Trust and Savings Bank of Chicago to succeed Edward P. Smith, who has resigned. Mr. MacLean has been vice-president and general manager of the Harris Safe Deposit Company for the past five years.

THE TIME HAS PASSED WHEN BANKING INTERESTS AND THE POSSESSORS OF GREAT PRIVATE FORTUNES CAN ABSORB ALL THE GOOD ISSUES OF BONDS AND SECURITIES.—From "*Where Investment Succeeds and Speculation Fails.*"

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—Wm. E. McLallen, for the past six years paying teller of the Fort Dearborn National Bank, has been appointed assistant cashier of that institution to succeed Charles Fernald, who recently resigned that position to become a vice-president of the Drovers National.

—A group of Middle Western bankers are working on plans to finance Middle Western manufacturers who are pushing out in the overseas trade. Extended conferences have already been held and arrangements practically completed for establishing branch banks in South America and ultimately in the orient to give the business men of this section direct financing with their constantly increasing customers in China.

John J. Arnold, vice-president of the First National Bank and chairman of the foreign trade committee of the Illinois Bankers Association, has taken a leading part in the discussions, both of his connections being understood to be in favor of the proposals.

The parent bank of the branch institutions that are to be established as the volume of the American trade warrants will be located in Chicago, if the present suggestions hold, Chicago being the natural key to the financial and industrial interests of the middle west.

St. Louis, New Orleans, Minneapolis and some eastern capital will subscribe to the institution, but Illinois capital will be interested heavily. The capitalization will not be less than $20,000,000.

—The foreign trade committee of the Illinois Bankers Association is offering to officers and employees of member banks a complete Spanish course in twenty lessons. At the first meeting of the class, held on March 27, 140 students were enrolled. John J. Arnold of the First National Bank of Chicago is chairman of the committee. The course is offered without charge to officers and employees of bank members of the Illinois Bankers Association. To others the regular rate of $25 for each person applies.

St. Louis

[*By a Special Correspondent*]

—Reviewing the banking situation generally in St. Louis as evidenced by the called statements of March 7 of the forty-four members of the St. Louis Clearing-House Association, it is noticeable that for the first time in many years the section of the country tributary to St. Louis is in the position of being able to secure all the funds they legitimately are entitled to, at a rate of interest considerably below the customary rate prevailing at this time of the year.

St. Louis banks have shown a gradual and steady development along the lines of total resources and deposits for the past twelve months, although the condition is practically universal throughout the country. However, for some reason or other there have been very few instances in the banking history of St. Louis when the territory tributary thereto could be supplied with all the money needed for the handling of crops and furtherance of construction work; one of the main reasons assigned to this being that the rapid development of such a large territory required a continual influx of funds to prevent a reaction of business, which might offset much good work already done.

A comparison of general conditions as evidenced by the called statements of March 7 this year and March 4 a year ago shows as follows:

	March 4, 1915.	March 7, 1916.	Increase.
Loans	$217,723,000	$237,009,000	$19,276,000
Cash and exchange	101,240,000	125,248,000	24,008,000
Deposits	296,393,000	351,081,000	54,688,000
Capital, surplus and profits	71,988,000	72,844,000	856,000
Total resources	387,053,000	441,085,000	54,032,000

The loans it will be noticed in the year increased $19,276,000, whereas the deposits increased $54,688,000, which is out of proportion.

The capital, surplus and profits show only a small increase of $856,000, which is a very strong indication of the low rates which have prevailed in banking circles.

—Between the called statements of December 31, 1915, and March 7, 1916, the National Bank of Commerce has shown a gain in deposits of $5,499,000. Total resources of this bank are now in excess of $70,000,000.

—Frank O. Watts, president of the Third National Bank, was elected a member of the Federal Advisory Council from the Federal Reserve Bank of St. Louis at a meeting of the bank's directors last month.

This council is composed of twelve members—one from each of the Federal Reserve districts.

Mr. Watts is to go to Washington about May 15, when the next quarterly meeting of the council will be held.

He was elected for a term to expire January 1, 1917. The terms for members of the council are for one year each.

—On March 21, the new banking quarters of the German American Bank were opened on the first floor of the new $600,000 building of the Missouri Athletic Association Building. Otto L. Teichmann, president of the bank, was overwhelmed with congratulations and floral offerings on the day of the opening. A large number of the friends and patrons of the bank visited the new quarters and all were much impressed with the beauty of the banking rooms and their adaptability to the present needs of the German American.

—The St. Louis Union Bank, which has been conducting in the interest of the insurance business a most unique advertising campaign, has received in-

quiries from three widely separated points asking for information about the work. One came from a Cleveland newspaper, the second came from an insurance agent in San Francisco, and the third from a bank in Nova Scotia. The campaign, which has been in force more than six weeks, consists of a series of ads published each day, advising persons to buy insurance, and to start saving for the first premium. The bank hopes to encourage the savings habit in this way.

Eugene J. Mudd

ASSISTANT CASHIER NATIONAL BANK OF COMMERCE IN ST. LOUIS

—The board of directors of the National Bank of Commerce in St. Louis has appointed Eugene J. Mudd and A. W. Thias to the positions of assistant

A. W. Thias

ASSISTANT CASHIER NATIONAL BANK OF COMMERCE IN ST. LOUIS

cashiers. Mr. Mudd has been with the National Bank of Commerce since January 29, 1902, and has been manager of the discount department since 1913. He will continue in charge of this depart-

ment. Mr. Thias is one of the best known credit men in the St. Louis district and is also widely acquainted in New York. He came to the Bank of Commerce from the old St. Louis National Bank in 1898 as a bookkeeper, and after serving several years as head bookkeeper on the city books was promoted to the position of credit manager when the credit department of the bank was established in 1905.

—William McChesney Martin, chairman of the board of the St. Louis Reserve Bank, states that the Reserve Board members have been working on plans for a country-wide clearing system for several months, and that it was probable the system to be chosen will be put into effect within a short time.

—Depositors in the Broadway Bank have received a first distribution of sixty per cent. upon their accounts.

The last statement published by the Broadway Bank before it failed to open its doors for business on November 8, 1915, showed deposits of $820,000. A distribution of sixty per cent. means a dividend of $492,000.

—Alfred Pettit of Knox City, Mo., cashier of the Citizens Bank, in which institution he has been employed for the last fifteen years, has announced his candidacy for State Treasurer on the Republican ticket. Mr. Pettit was elected a representative to the Forty-eighth General Assembly from a county of more than four hundred democratic majority.

—The Negotiable Instruments Act has been passed by the Mississippi Legislature. The passage of this bill is the culmination of many years' effort on the part of the Mississippi Bankers Association and the Mississippi Bar Association. S. J. High, president of the Mississippi Bankers Association, has expressed in behalf of the members of the association his extreme gratification and pleasure over the final enactment of this much-needed legislation.

—The seventh annual convention of the Kansas State Bankers Association was held at Representative Hall, Topeka, Kansas, April 18 and 19.

—The Cleveland Savings and Loan Company recently celebrated its twentieth anniversary. This institution was organized in 1896 by William R. Creer, who is now president. The bank has a capital stock of $250,000, savings and deposits of $1,183,000 and total resources of $1,715,000.

—The fifth annual convention of the Investment Bankers Association of America will be held at Cincinnati on October 2, 3 and 4. Everything points to a most successful and interesting meeting.

PACIFIC STATES

Los Angeles

By H. J. Lane

—The state banking institutions of Los Angeles have set a new record in deposits exceeding even their previous high water mark of June, 1913. At that time the total deposits reported by state banks in this city were a little less than $112,000,000, while the amount shown on their statements of March 4, 1916, is $122,386,222.69, a gain of $10,000,000 over the record made three years ago.

To show how business in other lines has increased proportionately, the Los Angeles bank clearings for February were approximately $87,000,000 or $11,600,000 more than during the same month in 1915. Building permits issued for February in this city were $976,378, which is seventy-five per cent. increase over February, 1915.

Commanding the highest price in the history of that product, twenty-six hundred carloads of celery are now being harvested in California. It is estimated that this one crop will add $1,000,000 to the present wealth of this state.

The farmers of California have also made a new record in the $10,000,000 raisin crop harvested during the past season.

Nine new steamers have been secured or are now in process of construction for Pacific trade, three to travel between our ports and those of South America, and six freighters for Asiatic trade.

Of increasing significance is the number of manufacturing firms which are locating production plants in Southern California. During the first two months of 1916, twelve new industries have been established in or near Los Angeles.

These facts all indicate the substantial foundation for great agricultural and commercial activity and prosperity which is now being laid in Los Angeles, the business center of the enterprising Southwest.

San Francisco

—"While it is too early to make reliable crop estimates," says the Anglo and London Paris National Bank in its April trade letter, "conditions in this state have been so generally favorable that large crops are naturally expected, and if all markets were free and ocean tonnage available there would be universal confidence in a very prosperous year. While the stringency in tonnage seems to increase, all markets are as open as they were last year except that Great Britain has prohibited the importation, except from British possessions, of all fruits except Zante currants until October 31. After that date fruits may be imported under special license to an amount not to exceed one-half of the importations of 1915. There is considerable interest as to the extent to which the temporary closing of the British market will affect the fruit industries of this state."

—"While a great effort is being made to relieve the car shortage," says a re-

cent trade letter of the American National Bank of San Francisco, "of western railroads, the Pacific Coast is still hampered for lack of adequate shipping facilities. The agreement of the western roads, at the instance of the American Railway Association, to deliver twenty per cent. more box cars to western roads than received from them, will, no doubt, shortly alleviate a very trying situation, but as more shipments originate in western territory than can be handled with dispatch at eastern terminals, it will require a close watch by the car service commission to bring about the necessary adjustment."

—Henry P. Lincoln, formerly cashier and general manager of the First National Bank of Santa Barbara, Calif., has been elected a vice-president of this institution. He will retain his managerial duties and will be succeeded as cashier by James D. Lowsley. Henry Dawe has resigned as assistant cashier of this bank to become cashier of the Union National Bank of San Luis Obispo, Calif.

—The capital of the National Bank of Pasadena is to be increased from $300,000 to $400,000.

—It has been announced definitely that the United States National Bank of Portland, Oregon, will build a new home on the site located at the northwest intersection of Sixth and Stark streets. This site was recently bought by the bank for $275,000. It is estimated that the building will cost between $250,000 and $300,000.

—The majority stock in the North Side State Bank of Seattle, Wash., has been acquired by Jacob Schaefer. The change in ownership will result in a reorganization of officers as follows: President, Jacob Schaefer; vice-president, A. J. Goddard, cashier; Charles L. Schaefer, and H. R. Carr and A. H. Schutt, directors. Mr. Goddard, who formerly held a controlling interest in the bank, will continue to take an active part in its affairs and Mr. Schaefer will direct the management.

Spokane

—"Reports of local conditions from all angles," says President R. L. Rutter of the Spokane and Eastern Trust Company, "reflect a splendid general business outlook at least for the balance of the year. The freight business east from Spokane is larger than ever before reported in history; collections are distinctly better; a steady upward movement in merchandise has manifested itself; the volume in sales for February

and the first fifteen days of March is reported to range from twenty to forty per cent. above that for the same period last year; a steady and increasing demand for all grades of lumber is hampered only by the shortage of cars; additional building construction and more or less alterations are required to conform warehouses to the changed grade along the Northern Pacific right-of-way; a better demand for business and residence property with prices firmer is noted, while realty men and owners are looking to experience an increase in rentals; a metal production out of the Coeur d'Alenes unprecedented in volume at the high prevailing prices is making a record for the mines; with a loss estimated at about ten per cent. from frost, the local fall wheat crop is now estimated at seventy per cent. of normal; stimulated by prevailing wheat prices and low mortgage interest rates, desirable wheat lands in the Palouse are changing hands for cash at excellent prices, ranging from $100 to $125 per acre.

"Such reports in themselves are producing activity in all lines and tend to invigorate a renewed confidence in all who are developing the resources or extending their business relations in the markets of the Inland Empire. If they may be taken as a fair indication of present local conditions, we are yet to fully experience the ultimate effects of increased production and rising prices which already are being realized."

—The Lincoln Trust Company, which succeeds the Pacific Northwest Investment Society, has opened for business in the building formerly occupied by the Spokane and Eastern Trust Company at the corner of Howard and Sprague avenue. Former Governor M. E. Hay is president, and H. C. Sampson is vice-president and manager.

Salt Lake City

—The Utah State National Bank of Salt Lake City is planning an extensive remodelling of its banking quarters. The

new quarters will be among the most pretentious in that section of the country and will cost in the neighborhood of $100,000.

CANADIAN

—The forty-sixth annual report of the Royal Bank of Canada is more than a mere summary of the bank's activities during the year. It contains a vast amount of data relating to the Dominion, all tabled in concise form. Bank returns, insurance statistics, mineral production, wholesale prices and a score of other tables of interest to business men are found in the booklet. One interesting feature of the report is the long list of members of the bank staff who have enlisted for military service. Mr. A. Gordon Tate, the compiler of the volume, has managed to crowd a great deal of information into a small space and yet make it interesting.

Profits for the year ending November 30, 1915, are reported as $1,905,576.57. After appropriating $1,387,200 for four quarterly dividends at the rate of twelve per cent. per annum, $100,000 for officers' pension fund, $250,000 for depreciation of bank premises and $105,966.66 for war tax on bank note circulation, a balance of $676,472.16 was carried forward to profit and loss account. At the close of business November 30, 1915, total resources were $198,299,123.39 and total deposits were $154,976,327.97.

—The "Monetary Times" states that the reports in some of the United States papers advising the public to be careful in coming to Canada to see that they have correct passports are misleading.

"We want," says the "Monetary Times," "to see in Canada this year thousands of people from the neighboring republic. They may come and enjoy some of the finest scenery in the world, watch, at a respectful distance, a young nation preparing for war, and look over the undoubted security here for the Canadian bonds in which they have invested. We want United States tourists, investors, business men and settlers, but do not require their passports."

—According to their latest official statement the condition of the Canadian banks is as follows:

	Capital paid up	Rest or reserve	Total assets
Bank of Montreal	$16,000,000	$16,000,000	$312,624,580
Quebec Bank	2,735,000	1,000,000	21,647,162
Bank of Nova Scotia	6,500,000	12,000,000	105,254,263
Bank of British North America	4,866,666	3,017,333	62,392,511
Bank of Toronto	5,000,000	6,000,000	67,414,766
Molsons Bank	4,000,000	4,800,000	55,138,878
Banque Nationale	2,000,000	1,800,000	27,949,315
Merchants Bank of Canada	7,000,000	7,000,000	95,769,503
Banque Provinciale du Canada	1,000,000	650,000	14,254,488
Union Bank of Canada	5,000,000	3,400,000	88,287,605
Canadian Bank of Commerce	15,000,000	13,500,000	244,035,503
Royal Bank of Canada	11,756,270	12,560,000	214,241,219
Dominion Bank	6,000,000	7,000,000	86,103,055
Bank of Hamilton	3,000,000	3,300,000	48,281,589
Standard Bank of Canada	3,000,000	4,000,000	53,798,591
Banque d'Hochelaga	4,000,000	3,700,000	35,139,066
Bank of Ottawa	4,000,000	4,750,000	54,068,700
Imperial Bank of Canada	7,000,000	7,000,000	82,583,131
Home Bank of Canada	1,945,845	400,000	15,953,641
Northern Crown Bank	2,859,287	150,000	17,801,876
Sterling Bank of Canada	1,205,941	300,000	10,401,287
Weyburn Security Bank	347,710	130,000	2,183,974
Total	$114,216,719	$112,457,333	$1,715,324,703

—"Sir Edmund Walker, president of the Bank of Commerce," says the "Journal of Commerce," "who was recently in New York, says one result of the world war, in his opinion, will be to bind closer the commercial and financial ties between the Dominion and the United States. Previous to 1914, Sir Edmund added, Canada was altogether at the mercy of the money lenders. Now the situation is changed. We have been accustomed to selling our securities in London. That market is closed to us now, and we come to New York, where there is an abundance of money, and we find ourselves in the position of preferred borrowers. The unexampled crop of 1915, assuring the Dominion an asset in money never equalled before, has changed the general opinion in Canada as regards the future. We are more sure than before that we shall be able to bear our share of the burden of the great war. The $300,000,000 excess of imports over exports in 1914 has been cut down to the extent of $130,000,000."

U. S. to Send Agents to Investigate Foreign Investment Possibilities

THE Bureau of Foreign and Domestic Commerce of the Department of Commerce plans to hold an examination during the month of May for special agents to investigate the markets of South America and Far East for investment possibilities.

The salary of an appointee to either of these positions will not exceed $10 a day for each day in the year; actual transportation expenses and an allowance for actual subsistence expenses not to exceed $5 per diem will be paid. Application to take this examination should be made direct to the Bureau of Foreign and Domestic Commerce, Washington, D. C., and should set forth the applicant's education, and his experience in the subject of the investigation.

MAKE thrift fashionable once more. Restore this normal attribute of respectable independence to its rightful place in the esteem of our world of society as well as business

—"Paragraphs on Thrift" By Frank C. Mortimer

EDWARD TOWNSEND

WHO HAS RESIGNED THE PRESIDENCY OF THE IMPORTERS AND TRADERS NATIONAL BANK OF NEW YORK TO BECOME CHAIRMAN OF THE BOARD OF DIRECTORS

See page 743

THE
BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SEVENTIETH YEAR | JUNE 1916 | VOLUME XCII, NO. 6

Other Reasons Why State Banks Do Not Join the Federal Reserve System

LAST month in these pages appeared a statement from Mr. A. J. Frame, president of the Waukesha (Wis.) National Bank, explaining why the state banks did not join the new Federal Reserve System. Substantially Mr. Frame's reasons amounted to this: that the national banks had contributed (or would shortly do so) some $600,000,000 to the new system and that about all they would get from their compulsory "contribution" was the possibility of six per cent. on some $54,000,000 of it, and the right to borrow back some of their own funds in case of a pinch. The national banks did not go into this scheme voluntarily, and it is an insult to the intelligence of those who manage the national banks to suppose they would have done so. They were forced into the Federal Reserve System under threat of extinction as national banks. But there is at present no law under which the state banks can be dragged into the system, and evidently the "inducements" mentioned by Mr. Frame were not sufficiently alluring to them, and so they have stayed out.

More recently we have had another explanation as to why the state banks do not join the Federal Reserve System, furnished by Mr. Elliott C. McDougal, president of the Bank of Buffalo, and president of the Association of State Banks of the State of New York.

Mr. McDougal objects to the Secretary of the Treasury and the Comptroller of the Currency as ex-officio members of the Federal Reserve Board. "So long as they are members," he says, "the system can not be kept out of politics."

The presence of these officials on the board undoubtedly increases the liability to partisan bias. But is not the board a political organization anyway? Its members are appointed by the President

and that they will usually be persons of his own political faith goes without saying. And it would be expecting too much of the members to look for a non-partisan attitude in matters likely to affect the welfare of their party.

Might we not just as well accept what is true, namely, that in passing the Federal Reserve Act the vast banking interests of the country were placed under the domination of a political board at Washington, and such political control of banking must exist so long as the legislation relating to banks continues to be shaped by Mr. Bryan and his school?

Mr. McDougal is of course entirely right in thinking that the presence of the Secretary of the Treasury and the Comptroller of the Currency on the board is objectionable as tending to increase the political bias of the board; but, as it appears to this MAGAZINE, the board is pretty apt to be swayed by political bias whether the Secretary of the Treasury and Comptroller are members or not.

Mr. McDougal suggests the abolition of the office of Federal Reserve Agent. This officer is nothing but an ornamental go-between—a position created for some "deserving Democrat" or equally "deserving Republican." The framers of the law evidently thought that by creating this useless office with its superfluous functions the public would be awed, mystified and impressed as certain simple-minded persons still are by the trappings of royalty.

But while agreeing with Mr. McDougal as to the utter uselessness of the Federal Reserve Agent, what earthly use is there for continuing the Federal Reserve Board itself? Here are seven men to whom the supervision of a vast amount of banking funds has been committed. They are paid large salaries and keep up an expensive retinue of retainers—and for what? Why, for doing nothing that the banks co-operating through their clearing-houses could not do without either the Federal Reserve Board or the Federal Reserve Banks.

If we are to lop off useless functionaries, why stop with the harmless Federal Reserve Agent? Why not lay the axe of reform at the roots? And of what good is the Federal Reserve Board or the entire system?

Regarding the Federal Reserve notes Mr. McDougal says:

"Make these notes redeemable in gold and in nothing else; make them redemable at Federal Reserve Banks and at their branches and nowhere else. This would simplify the machinery in connection with the issuance and redemption of notes. Even more important than elasticity of issue is elasticity of redemption. The public should be educated in the habit of sending these notes for redemption to the Federal Reserve Banks instead of to Washington. The nearer the issuance and redemption of our currency can approach to the auto-

matic issuance and redemption of checks, which have been brought to so high a perfection in this country that they operate almost without notice, the less the danger of inflation. A Federal Reserve note should be issued only when needed, and redeemed as soon as it has served the purpose for which it was issued."

These observations go to the very foundation of sound banking principles. It could well be wished that Mr. McDougal had gone further and had declared that this automatic redemption of bank notes could not be hoped for until a system of note issues was devised entirely free from the attempt of Washington to regulate the volume of the currency, but whose issue and retirement should be automatic.

Mr. McDougal closes with a strong plea for a unification and simplification of the currency, and on grounds that are absolutely correct.

"On some broad and comprehensive plan which shall be just to all conflicting interests, United States Treasury notes, United States gold certificates, United States silver certificates, national bank notes, Federal Reserve notes, which are the obligations of the United States and Federal Reserve notes secured by Government bonds, commercial paper, or collateral of any name and nature deposited with a Federal Reserve agent, should be abolished. They should be replaced by only two classes of notes: Those issued by a Federal Reserve Bank solely upon its credit and covered by commercial paper and gold, or by gold alone in its own vaults, upon which cover the holders of these notes shall have no specific lien, and of gold certificates issued by a Federal Reserve Bank, dollar for dollar, for gold deposited, upon which gold the holders of certificates shall have a specific lien, the certificates being practically warehouse receipts for gold. Done simply, in a businesslike way, without red tape, without any endeavor to provide specifically and laboriously for many possible contingencies which never may arise, this momentous change can, at the present time—and never in the history of this country was there a more propitious time—be effected with practically no disturbance and almost without notice. I am inclined to believe that the rate of taxation upon Federal Reserve credit notes should rise more sharply as the gold reserve drops than is at present provided. There is more danger of too much currency than of too little. We now have in circulation more paper currency than this country needs. This condition may lead to real danger should the war in Europe suddenly cease and the balance of trade suddenly be reversed before we perfect our currency system. In that case we might be compelled to ship hundreds of millions in gold. Where there is an excess of circulating medium, the best money always first leaves the country."

The principles contained in the foregoing statement are incontrovertible, but there is one exception that might be taken to Mr. McDougal's method of applying them. Federal Reserve Banks are not necessary to the issue and redemption of bank checks. Why is all this elaborate machinery required for the issue and redemption of bank notes? A bank note and a bank check are in substance identical—a fact known to Mr. Elliott F. McDougal as well as to any banker in the United States. Why should he not therefore follow where his sound convictions lead, that is to the declaration that the whole complex and costly Federal Reserve System is a sham and a delusion? When the bankers of the country pluck up their courage, and speak what they really think, there will be no need of further efforts to explain why state banks do not join the Federal Reserve System.

WAR LOANS AND WAR FINANCE

AN interesting analysis of the war costs, war loans and Government indebtedness of Europe, in their relation to the world at large has been made and published by the Mechanics and Metals National Bank of New York. From this pamphlet the following extracts are taken:

"Hostilities will have gone on two years should the war continue until August 1 next. Attempts to gauge its burden to all the powers involved have resulted in a calculation that if still in progress on the second anniversary, the direct cost of the war will have been in excess of $45,000,000,000.

"Total military expenditure in the first year (August 1, 1914, to August 1, 1915), was approximately $17,500,000,000. In the second year it will have been $28,000,000,000.

"These figures represent simply the expenditure for carrying on the hostilities. They do not allow for the destruction of cities, railways, ships, factories, warehouses, bridges, roads or agricultural values. Neither do they allow for the economic loss through the killing and maiming of men, the loss of production in occupied territories, the decrease in stocks of food, metals and other materials, the derangement of the machinery of distribution, nor for the cost of pensions. They measure in a common term an expenditure of capital, which, to the governments concerned, will in the end be translated for the most part into permanent additions to their national debt.

"If the war costs $45,000,000,000, it will represent a sum three times greater than the entire capitalization of the railways of the United States, and four times greater than the total deposits of all our national banks. It will represent a sum six times greater than that expended in our Civil War. It will represent forty times the amount of the present national debt of the United States, 120 times the cost of the Panama Canal, 500 times the amount of the annual American gold output. Direct cost of the Franco-Prussian War, in 1870-71, was not greatly in excess of $3,000,000,000. Direct cost of the Russo-Japanese War was $2,500,000,000, of the South African War, $1,250,000,000.

"The aggregate amount named for a full two years' warfare, $45,000,000,000, is believed to be well within the actual total.

"Here is a series of estimates to show the total war costs—direct military expenditures and advances—of the three principal Powers involved, for the two-year period from August 1, 1914, to August 1, 1916. The figures are based on war credits already voted, and the expected costs in the period intervening before August 1:

Gross war cost to	Two years ending August 1, 1916
Great Britain	$11,600,000,000
Germany	11,350,000,000
France	9,250,000,000

"The following table represents an approximation of the direct cost of the war to the nations of Europe—without regard to advances made or received—for the two years ending August 1, 1916:

Direct war cost to	Two years ending August 1, 1916	Per Capita
Great Britain	$9,225,000,000	$205.00
France	8,750,000,000	218.75
Russia	7,000,000,000	40.95
Italy	1,800,000,000	51.43
Belgium and Servia	1,000,000,000	83.30
Entente Allies	$27,775,000,000	$91.66
Germany	$10,500,000,000	$161.53
Austria-Hungary	6,000,000,000	120.00
Turkey and Bulgaria	1,000,000,000	38.46
Central Alliance	$17,500,000,000	$124.10
All belligerents	45,275,000,000	102.00

COMPTROLLER WILLIAMS DEFENDS HIS ADMINISTRATION

RECENTLY a New York daily financial newspaper made some rather severe criticisms of the Comptroller of the Currency, Mr. John Skelton Williams. These criticisms contained three specific allegations, namely, that the Comptroller had shown animosity and persecution in the Riggs Bank case, that the expenses of bank examination had largely increased under the Federal Reserve System, and finally that under the present regime the national banks, which it was alleged now represent a minority of the banking power of the country, may begin to fall away.

To each of these charges Comptroller Williams replies vigorously and in detail. As to the Riggs Bank matter, he quotes from a court decision which appears to sustain at least a part of his controversy with that institution, although adjudication of the case is still pending; as to the alleged increase in cost of examination of banks the Comptroller says:

"Under the old system national banks in reserve and central reserve cities, with assets of $1,000,000 or less paid a fee for examinations ranging from $56 to $70 according to the amount of their capital stock and resources.

"Under the operations of the Federal Reserve Act the same banks are paying a fee ranging from $36.50 to $44.50.

"Banks with resources of $1,500,000 to $10,000,000, in reserve and central reserve cities, paid for their examinations under the old system, a fee ranging from $75 to $230.

"Since the passage of the act the fee for banks of this size has been reduced and ranges from $54.50 to $224.50.

"As only thirty-eight per cent. of the national banks in reserve and central reserve cities have resources in excess of $10,000,000, it is thus seen that sixty-two per cent. of the banks in reserve and central reserve cities are now paying for their examinations less than they paid under the old plan, though the examinations are far more thorough and efficient than they ever were before.

"A bank with assets of $25,000,000 and capital in proportion, in reserve and central reserve cities, formerly paid a fee of $410.

"The fee now paid by such a bank is $524.50, an increase of twenty-eight per cent., which is fully warranted by the additional time consumed by the examiners and the greater thoroughness of their examinations.

"A bank in reserve and central reserve cities with resources of

$50,000,000 and capital in proportion, paid a fee of $710. Under the new arrangement such a bank paid $1,024.50, an increase of forty-four per cent., but probably no one will contend that $1,024.50 is an excessive fee to charge for the character of examinations which is now being given by this department to a $50,000,000 bank.

"The cost of examining banks with assets in excess of $50,000,000 is also greater under the present plan than formerly. But of the 7,600 national banks in the United States, only thirty-two banks, or less than one-half of one per cent. of the total banks, at the time of the December 31, 1915, call, had assets in excess of $50,000,000. Of these thirty-two banks, thirty-one were located in reserve and central reserve cities.

"Let us now consider the changes made in the cost of examining country banks, or banks outside of reserve and central reserve cities. Under the old system, the fees for the examination of country banks with assets of less than $3,000,000 and capital in proportion ranged from $20 to $75.

"Under the present system the fees range from $26 to $84.50, the increase being from $6 per bank for the smaller banks to $9.50 per bank for banks with resources of $3,000,000 and a capital in proportion. Under the old system the statutory fee was in many cases wholly inadequate to compensate the examiner for the time employed by himself, and in some cases several assistants, in making an examination.

"The banks to whom these rates apply embrace 6,939 banks, or ninety-six per cent. of the total of 7,238 country banks.

"The country banks, however, with resources in excess of $3,000,000 and capital in proportion constituting about four per cent. of all country banks, which under the old system were charged a regular fee of $75 irrespective of resources, are now being charged a compensation in proportion to the resources of the bank so that a country bank with, say, $5,000,000 of resources which formerly paid $75, now pays $124.50, and a bank with $10,000,000 of resources pays $224.50; that is, an increase of $149.50, but will you seriously contend that a fee of $224.50 for a thorough examination of a bank with $10,000,000 of assets is excessive? Do you think that such a bank could really be properly examined at a cost not exceeding the old fee of $75? On December 31, 1915, there were only twenty-three country banks in the United States having resources in excess of $10,000,000. These country banks are charged for the examinations a regular fee of $25 plus two cents per $1,000 of assets in excess of $25,000.

"It must be remembered that under the fee system examiners were required to pay travelling and other expenses from the statutory fee received. The fee system to a very large extent was condu-

cive of superficiality in examinations, the earnings of the examiner being dependent upon the number of examinations made. The tendency of the old plan was to speed up the work of examination at the expense of thoroughness.

"This temptation is removed under the present method of compensation, and now an examiner can be depended upon to devote as much time to each bank as is necessary to make a thorough and efficient examination.

"When it is thus shown that sixty-two per cent. of all national banks in reserve and central reserve cities are now paying for their examinations *less* than they paid under the old system, and that ninety-six per cent. of all country banks are only paying increases ranging from $6 per bank (thirty per cent. increase) to $9.50 per bank (thirteen per cent. increase), will you not admit the gross injustice and inaccuracy of your statement that 'in most cases the banks are being assessed from three to four times what they were (paying) under the National Bank Act?

"The 'Federal Reserve Bulletin' for March printed a table showing the cost of national bank examinations before and since the passage of the Federal Reserve Act. This table showed the cost of such examinations, both in central reserve and reserve cities and also in country banks.

"The increases under the new system are in some cases really less than those shown in the above-mentioned table of standard costs, because under the old system a fee slightly above the regular rates was charged for bank examinations in certain western states. The difference between the new and old plans, because of these exceptional cases, is thus further reduced."

Having thus settled the cost of bank examinations to his satisfaction, the Comptroller takes up the next count in the indictment against him:

"You remark that 'at present the national banking system is a minority in the banking power of the country.' It may not be out of order for me to point out that the resources of the national banks of this country are now three times as great as the aggregate resources of the 14,598 state banks at the time of the last available report on state banks, June 23, 1915; that the resources of these national banks are also more than three times as great as the aggregate of all the great mutual savings banks of the country as of the same date.

"Your attention is also called to the fact that the resources of the national banks are more than twice as great as the aggregate resources of the 2,700 trust companies, loan companies and private banks at the time of their June, 1915, report. Furthermore, in response to your suggestion as to the 'minority' position of national

banks, let me observe that the increase in resources of national banks in the past twelve months not only exceeds in the aggregate the increase reported in the three-year period from 1912 to 1915 by all state banks, trust companies, savings banks, private banks and loan companies of the United States, but the ratio of increase in national bank resources in the past twelve months was about five times as great as the average ratio of increase in all state banks, and trust companies and savings banks for the three-year period named.

"Your further suggestion that the national banks may 'begin to fall away' and that 'self-preservation might induce a stampede,' is met and demolished, I think, by the official figures which show that during the period of a little over two years that I have had the honor of holding office as Comptroller of the Currency, the resources of the national banks have not only shown the greatest increase ever shown in any like period, but this increase in these two years and two months has been practically as great as the greatest increase ever before shown in any five-year period since the beginning of the national banking system.

"My nomination was confirmed by the Senate January 19, 1914. The resources of the national banks on the call of January 13, 1914, were 11,296 million dollars. Their resources March 7, 1916, were 13,832 million dollars. The number of banks reporting on the call of January 13, 1914, which happens to be the day my nomination as Comptroller was sent to the Senate, was 7,493. The number in operation January 19, 1916, exactly two years after my confirmation by the Senate, was 7,622. The increase in capital and surplus profits from January 13, 1914, to March 7, 1916, was 50 million dollars; increase in deposits same period, 2,397 million dollars."

From this one naturally infers that Mr. Williams has inspired this growth, but a little later on in this forceful document the Comptroller says that he has "an individual sense of humor." He disclaims credit for having made the national banks outgrow Jonah's gourd:

"While it is not suggested for a moment that 'Mr. Williams' activity' was responsible for the tremendous progress, growth and development of the national banking system which has been coincident with my term of office, these figures seem to demonstrate that my administrative acts have not in any way weakened or diminished the prestige and power of the system over which the law has given me certain supervisory powers."

The concluding observations of the Comptroller, while not directly in point, are exceedingly interesting.

"Of 50,000 directors of national banks, I never have fined one in my two years and two months in office as Comptroller. I have called on banks to bring suit against their directors in certain cases

where banks, acting through directors contrary to the instructions of this office and without authority of law, have engaged in stock speculations which have involved heavy losses to the innocent shareholders of these banks, and for which losses the United States Supreme Court has clearly and unequivocally decided that directors are liable. In certain of these cases, directors, rather than stand suit, have paid back personally to the injured bank large sums of money on account of such losses. I assume that if these directors had not realized that they had been guilty of unlawful acts for which their banks had suffered, and for which they were liable, they would not have paid from their own pockets these large sums.

"Should I go outside of or beyond the law, the banks could appeal to the law to protect them and to call me down and punish me. When I fail to enforce the law or knowingly allow any bank to transgress it, I fail in my duty and can and should be punished by the Government and the courts. I can require nothing of the banks that is not justified by the law. Banks are operated by intelligent men, advised of their legal rights, and courts are open to them for redress whenever they have any reasonable grounds for suspecting that they are being persecuted or that unfair exactions are being imposed on them. It is inconceivable that such men would submit meekly to illegal and harsh or injurious treatment and content themselves with anonymous complaints to newspapers.

"I cannot imagine that they emulate the more violent and reckless Socialists and labor agitators by claiming that they cannot trust the courts and the laws to protect their rights and give them justice. Certainly I am not a Czar with power to disregard the law, and the national bankers are not serfs debarred from invoking the law's protection.

"I cannot present a single requirement without authority under the statutes enacted by Congress. I can do nothing I am not commanded to do by law or expected to do under my oath of office and by consideration for the welfare of the banks and of their stockholders and depositors and the general public. It is no pleasure to provoke anger and bitter criticism by responsible citizens, and no sane man will go out of his way without reason to invite maledictions.

"Permit me to add just a few words apart from the record and direct reply. I understand clearly that I am censured severely and continually by men whose good opinion I would enjoy personally and officially. Also, having an individual sense of humor, I get some unofficial amusement from complaints against the administration and abominations of the Comptroller's office based on strange misunderstandings and misstatements and exaggerations. I am comfortably certain that when the banking community of the United States realizes the facts as they are and becomes used to the new con-

ditions, it will accommodate itself to these conditions and concede that strict enforcement of the law is best for everybody. The order against overdrafts is an illustration of why I am optimistic. Many bankers complained against it bitterly. Now most of them understand that the overdraft business was dangerous and a growing menace. Some of them write, or come to thank me for 'playing goat' and allowing them to point their customers to the ruling and orders of my office as unanswerable excuse for declining to indulge them.

"Probably many honest bankers had fallen into the habit of using their own discretion as to when the law should be twisted, evaded or shaved a little for their own convenience or that of their customers. Conscious of their own good intentions, they are impatient of restraint and rigid regulations and enforcement of the law. The obvious danger is that if men of prudence and character are permitted to stretch or ignore any part of the law, men who are imprudent and of less character will do likewise with results injurious to everybody. As the law itself may not discriminate, so officers of the law are forbidden to discriminate. When they undertake to be strict here and lax there, they betray their trusts and take serious chances of doing vast harm. It is like sanitary regulations in a city. They are useless unless applied universally. A best citizen permitted to disregard them, and intending no harm, may infect his entire neighborhood and community."

Editors who attack Mr. Williams appear to have forgotten, if they ever knew, the consequences which follow the accurate throwing of rocks at a hornet's nest.

In the controversy with the banks over the taking of usurious interest rates, the Comptroller cited chapter and verse in a way that must have been exceedingly uncomfortable to those institutions which had been guilty of taking a larger rate of interest than either good conscience or the law permits, and in the present instance he seems to have rather the better of the argument.

Mr. Williams has made some criticisms of the banks which seemed to us in exceedingly bad taste and temper from one occupying his official position. He has not always spoken with wisdom and discretion. But newspapers or others who criticise his acts and utterances should first be sure of their facts. Much of the speaking and writing about banking matters is exceedingly superficial, and the example which the Comptroller deals with above seems to be a case in point.

For some time back the Comptroller's Bureau, with an exception here and there, was administered as a sort of soothing syrup to the banks. Probably by substituting for this mild anodyne something in the nature of a fly blister the banks may be reminded of the

affection the providential being has for those who receive evidences of this regard in a somewhat drastic form.

NEW QUEST FOR MARINE GOLD

THE waters of the sea are known to contain vast quantities of gold, but thus far no practicable means of extracting it has been found. But this is not the gold that the Argonauts of 1916 are going out to seek. Nor are these Jasons sailing for Colchos' strand, but are headed for the peaceful depths where the late David Jones securely sleeps. All of which means that in New York a company has been organized, not made up of buccaneers and romantic adventurers but of engineers, bankers and other supposedly hard-headed men of business, to search the sea's depths for treasure that has gone down in ships, to bring back to the face of the waters the gold, silver, jewels and goods and the ships as well.

Success in deep-sea diving and in raising sunken vessels would seem to indicate the practicability of this enterprise, which is backed by men of high repute in the banking world.

Formerly great ocean catastrophes were infrequent, and thus events like the sinking of the "Titanic" naturally occasioned great horror. In these times the sinking of great passenger and war steamers has become so common that an event of this kind stirs but languid interest, and the bottom of the sea is rapidly becoming tenanted with many a ship of death. The human lives lost with the ship are beyond salvage now, but if the scheme proves practicable to bring the sunken ships above the waves once more, some of the vessels and their cargoes, the gold, the silver and the jewels, will be saved. May not this result in encouragement of piratical acts in time of war? Horror over the wastage of human lives by attacks in time of war no longer exists, but the loss of property is a serious matter. If it is found that the lost property may be recovered, then the chief obstacle to piratical assaults on passenger vessels will have been removed, for it can not be supposed in the light of twentieth century experience that the mere presence of hundreds of men, women and children on board a ship would deter a highly civilized power from sinking the vessel without warning.

Of course, the company formed for seeking to bring sunken ships and their cargoes to the surface need not be concerned by any of these considerations. It is purely a business enterprise and its motives entirely laudable. Regret must be felt, however, that in

these days of supposed enlightenment the deliberate sinking of ships should have been carried on to an extent that would make an enterprise of this kind feasible.

SHALL OUR SILVER BE SOLD?

THE rapid rise in the price of silver—about twenty cents an ounce in a year—raises the question whether this might not be an opportune time for the United States to dispose of some of its large stock of silver. Of course, it may be argued that this country may feel very comfortable over the rise in silver, and for two reasons—we have a large stock of it on hand and are also heavy producers of the metal.

In the years when we were buying and coining silver on an extensive scale the price was much higher than it is now. From 1878 to 1885 the average was well above a dollar an ounce, and though it fell a little below this figure, it again rose to $1.04 in 1890, the revival no doubt being caused by the silver purchase act of that year. But for some time thereafter the price tended downward, reaching as low as fifty-one cents in the last year.

The compulsory purchase of silver to be coined into dollars was stopped in November, 1893, the price of silver then being around seventy-eight cents a fine ounce.

We have paid for the silver in the dollar more than it is worth at the current prices, and should we now dispose of the large amount of the metal on hand it would mean a considerable loss. But it is at least an interesting question whether the price will go much higher or whether it will again recede to something like the figures which have ruled for some years.

Probably a suggestion to sell the silver held against the certificates now in circulation would be savagely assailed by those who still retain memories of their ancient fondness for the white metal, and yet it may be fairly contended that by selling the silver, and placing gold behind the certificates, and retiring the excess certificates, the currency would be considerably strengthened. That there is any prospect of this being done is most unlikely.

But there is a way gradually to cure the dilution of the currency caused by the presence of so much silver, and that is to stop buying silver for subsidiary coinage and recoin the silver dollars in the latter form as needed.

The rise in the value of silver, should it continue and prove permanent, will quite materially strengthen the metallic base of the country's monetary supply.

Financing the European War, 1914-1916

By ERNEST L. BOGART, Professor of Economics, University of Illinois

NOW that twenty months have passed since the beginning of the European war, the methods used for financing this struggle have been pretty definitely laid down. It therefore seems worth while to sum up briefly the principal facts in this connection. There are in general three possible ways of financing a war: namely, by the use of paper money or analogous credit devices, by taxation, and by loans. These we shall take up in order and note how far the different belligerents have utilized them.

I. PAPER MONEY

THIS method is condemned by the best economic authority, because it inevitably leads to a derangement of general prices. While superficially an issue of paper money seems to secure to the issuing state a loan without interest, the paper must ultimately be redeemed and if issued in excess inflates the currency, raises prices, and hence increases the cost of all supplies and services to the government by an amount far beyond the saving of interest. By way of illustration reference need only be made to the experiences of the United States in the issue of United States notes during the Civil War.

Compared with the use made of banking facilities, paper money issued directly by the Government has not been largely resorted to during the present struggle, though the Treasury notes of several countries have passed into circulation and in some instances it has been found necessary to issue fractional currency. But, on the other hand, a large use has been made of bank notes and bank credits by the leading belligerents. Inasmuch as all the great central banks in Europe stand in close relations to the governments, and have been used by them as fiscal agencies to assist in financing the war, we may regard the issue of bank notes or the extension of credit facilities to the Government as equivalent to an issue of paper money so far as concerns at least the inflation of the currency and the disturbance of general prices.

GREAT BRITAIN

IMMEDIATELY upon the outbreak of war the bank act was suspended in September, 1914, and permission was given to the Bank of England to issue credit notes against the deposit of Government bonds instead of gold. While little use seems as yet to have been made of this permission, it has made it possible for the bank to increase its discounts fearlessly. Large credits have been granted to the Government, the "public deposits" having increased about 250 million dollars between April 15, 1914, and April 12, 1916, while "other deposits" increased 190 million dollars in the same period. This latter item constitutes for the most part the reserves which the Bank of England carries for the city banks, and its increase measures the expansion of their loans. The expansion of deposits subject to check, whether of the Government or of private individuals, is as truly an expansion of the currency as would be an issue of bank notes and

COMPARATIVE STATEMENT OF BANK OF ENGLAND[1]

	1916 April 12	1915 April 14	1914 April 15
Circulation	£33,656	£34,586	£29,024
Public deposits	68,862	104,157	19,238
Other deposits	79,961	102,969	41,861
Government securities	33,187	47,860	11,151
Other securities	90,544	137,813	41,981
Reserve notes and coin	42,716	39,176	25,663
Coin and bullion	57,922	55,312	36,238
Proportion of reserve to liabilities	28.75%	18.87%	42%
Bank rate	5%	5%	3%

has the same effect upon prices. As a result of this expansion the proportion of the bank's reserve to liabilities has fallen from forty-one to twenty-eight per cent. While nominally maintaining specie payments the Bank of England uses its gold reserve chiefly to steady foreign exchange and not for the general redemption of its notes, while the Government and the city banks use Bank of England notes or checks. Gold has therefore practically disappeared from general circulation. The decline in the rate of foreign exchange between two and fifteen per cent. points also to an inflation of the currency, which has not been checked by the acid test of instant convertibility. We may conclude therefore that England in common with the other belligerents has practically suspended specie payments and is on a paper basis.

This is made the more evident if we note the actual issue of paper money by the Government in addition to the expansion of banking credits. The Treasury has issued currency notes in denominations as low as £1 and 10s., which have been given the legal tender quality and were made redeemable in gold at the Bank of England.[2] These have been issued in large quantities directly by the Government in contradistinction to the policy pursued during the Napoleonic wars and at subsequent periods of stress, when the Bank of England notes were issued.

At the end of March the amount of currency notes outstanding was $520,-000,000, against which the Treasury holds assets consisting of $140,000,000 in gold, $325,000,000 in Government securities, and nearly $60,000,000 of balance at the Bank of England.[4] Postal money orders were also authorized and were put on the same basis as the currency notes as to the legal-tender quality and redemption at the Bank of England. The effects of this tremendous expansion of the paper and deposit currency of Great Britain are visible in the price level which has now reached the highest point in modern history.[5]

FRANCE

THE finances of the French nation were unsatisfactory at the beginning of the war, as her people had invested a large amount of capital in foreign securities and were suffering from depression. There was a deficit in the budget for the year 1914 of $500,-000,000, and Parliament had voted a 3½ per cent. loan of $160,000,000 at 91, and an income tax to begin January 1, 1915. The invasion of France by Germany and the seizure of the richest industrial section of the northern part placed an additional difficulty in the way of taxes and laws. Consequently the French Government has been compelled to depend very largely upon the financial assistance of the Bank of France. The Bank of France stands in

[1]A list of the principal items in the Bank of England statement for the date nearest April 15 for the past three years (000 omitted). "Commercial and Financial Chronicle," April 15, 1916.

[2]The act authorizing the currency notes is given in H. Wither's "War and Lombard Street," p. 155.

[4]*Babson's Reports*, April 4, 1916.

[5]*The Statist*, March 25, 1916.

close relation to the Government, and has since the time of Napoleon I. It has a monopoly of issue which is limited only by its ability to redeem its notes in gold, and by a maximum limit which is set by law. This limit has been $1,360,000,000 before the war[6]; on August 5, 1914, it was raised to $1,800,000,000 and has since been raised to $3,600,000,000.[7] Under its charter moreover the bank must loan to the Government in time of war at the nominal rate of one per cent. In 1911 these compulsory advances had been fixed at $580,000,000; in September, 1914, they were raised to $1,200,000,000 and by the end of 1915 to $1,800,000,000. As a matter of fact the bank began at once to lend to the Government, advancing about $20,000,000 a week. By the end of 1914 these advances amounted to $800,000,000, and by May, 1915, to $1,200,000,000. By January 27, 1916, the last limit had almost been reached as the advances for the war to Government by the Bank of France then amounted to $1,080,000,000.[8]

The gold in France at the beginning of the war has been estimated at $1,400,000,000, of which the bank held some $800,000,000.[9] To safeguard this stock specie payments were suspended, and gold has disappeared from circulation in France. The gold reserve has in this way been maintained practically intact, except for comparatively small amounts sent to England to steady foreign exchange. Indeed, upon an appeal from the Government, the French people have during the war turned over considerable sums which they were hoarding, to the amount of $268,000,000. The gold reserve of the Bank of France has thus grown, in spite of advances to the Government and to the Bank of England, from $723,000,000 in April, 1914, to $850,000,000 in March, 1915, and $1,000,000,000 on March 29, 1916.[10]

Most of the advances to the Government have been in the form of bank notes rather than credit deposits as was the case in England. This accords with the different usage in this respect of the two countries. Immediately after the outbreak of hostilities, the Government relieved the bank of the obligation of paying its notes in gold, and gave these the legal tender quality. The limit of issue was raised by successive steps from $1,360,000,000 to $3,600,000,000, the limit being raised as often as the issues of the bank approached it. The actual issues have expanded from $1,190,000,000 in March, 1914, to $2,250,000,000 in April, 1915, and $3,636,000,000 on April 13, 1916.[11]

That this expansion means over-issue and a consequent inflation of the currency is evidenced by the disappearance of gold from circulation by the rise of the commodity prices, and by the fall in foreign exchange. French exchange in New York was at a discount of about sixteen per cent. on April 17. The increased use of silver and the issue of fractional paper currency by local

[11]COMPARATIVE STATEMENT OF BANK OF FRANCE (000,000 OMITTED)

	1916 March 29 Francs	1915 March 31 Francs	1914 April 1 Francs
Gold reserve	5,006	4,251	3,616
Note circulation	14,952	11,273	5,950
General deposits	2,289	2,380	619
Treasury deposits	101	73	159
Discounts	3,137	907	2,439

[6]French Money, Banking, and Finance during the Great War, by R. G. Levy, "*Quart. Journ. Econ.*," Nov., 1915, p. 70.

[7]"Commercial and Financial Chronicle," April, 1, 1916.

[8]London "Economist," Feb. 5, 1916.

[9]Levy, *op cit.*, p. 72.

[10]"Annalist," April 10, 1916.

[11]"Commercial and Financial Chronicle," April 15, 1916.

chambers of commerce in denominations of one and two franc notes have been necessitated by the disappearance of gold.

RUSSIA

THE issues of the Imperial Bank of Russia at the outbreak of the war amounted to about $800,000,000. The Government authorized an additional issue of $600,000,000 and suspended specie payments. Since then the issues have steadily increased to a total of about $1,575,000,000 in February, 1915, to $2,100,000,000 in September of the same year, and $2,600,000,000 at the present time, which is more than treble the original amount. This has meant a great inflation of the currency with its consequent effects of raising commodity prices and of lowering foreign exchange. Russian exchange in New York is quoted (April 15) at a discount of forty per cent., part of which, however, is attributable to the derangement of foreign trade. As a result of the inflation gold has disappeared from circulation and finally even silver, so that fractional paper money has been issued in pieces as low as five and ten cents, which have been given the legal tender quality. That the war is bearing hard on Russian finances is evident from the continued moratorium in force, and the constant increase in note issues.

But while gold has disappeared from private use the Government has seen to it that the stock in the Imperial Bank, which amounted to $872,000,000 at the outbreak of the war, should not be dissipated. Specie payments were immediately suspended and later the export of gold was prohibited. An appeal to the people has resulted in voluntary contributions of private hoards of gold in exchange for notes, so that the gold reserve at the end of 1915 stood at about $820,000,000.[12] The credit of the bank has been placed at the disposal of the Government, the advances during the first few months of war probably averaging $50,000,000 a week.

ITALY

PRACTICALLY the same story of bank loans to the Government, suspension of specie payments, and inflation and depreciation of the currency may be repeated for Italy. The statutory advances of the Bank of Italy to the Government, on terms similar to those of the Bank of France, are $167,000,000, the notes of other banks of issue loaned to the Government amount to $150,000,000, and the issues of state notes are $117,000,000.[13] These constitute the non-interest-bearing debt of the Government. In addition to these forms of credit the Bank of Italy has increased its issues from $540,000,000 on June 30, 1914, to $680,000,000 on December 31 of the same year, and to $1,010,000,000 on December 31, 1915. This doubling of the amount of paper money has caused the disappearance of gold from circulation, a general rise in price, and is reflected in the rate of foreign exchange, which is quoted (April 17) in New York at a discount of about twenty-five per cent.

GERMANY

THIS country possessed a unique resource in the form of a "war chest," which had stood at $25,000,000 cash, but in July, 1913, was raised to $60,000,000, of which one-half was gold. The possession of this stock of gold and silver undoubtedly aided the Government in its rapid mobilization.[14] But this amount was only a drop in the bucket, and the Government quickly turned to the Reichsbank for further financial assistance. The relation of the Reichsbank to the Imperial Government is very close. It enjoys a virtual monopoly of issue, which is held

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[12] "The Americas," Oct., 1915, p. 15

[13] London "Economist," Feb. 26, 1916, p. 403.

[14] Die Kriegsfinanzen der europaischen Grossmächte, by O. Schneider. *"Schmollers' Jahrbuch,"* 39 Jahrg., 3 Heft, p. 263.

in fairly close confines by a graduated tax on excess credit notes which are unsecured by gold deposit. With the outbreak of the war the tax upon excess issues was abolished, specie payments were suspended, and the notes of the bank were made legal tender. For the first three months the war was conducted on money borrowed from the Reichbank, but this floating debt was funded at the end of September by the issue of a loan. Since then the Government has pursued the same plan, evidently in pursuance of a well-thought-out policy, of borowing of the bank and repaying these advances at half-yearly intervals by the sale of bonds. The bank has greatly increased its issues, from $475,000,000 on July 23, 1914, to $1,345,000,000 at the end of March, 1915, and to $1,668,000,000 on April 7, 1916.[15] At the same time the Government has increased its issues of Treasury notes from $35,000,000 to $80,000,000, which it has given the legal-tender quality, and has put into circulation a new form of paper money known as loan office notes (Darlehnskassenscheine), which at the end of January, 1916, amounted to $439,600,000, of which $274,350,000 were in circulation and the remainder were held by the Reichsbank.[16] The bank-note circulation is no longer increasing so rapidly and may prove to have reached its maximum. But that there has been an over-expansion and consequent depreciation of paper money in Germany seems undoubted. It is reflected in the disappearance of metalic money, in the high prices of commodities, and is a factor in the rate of foreign exchange; the mark is quoted in New York, April 17, at a discount of about twenty-three per cent. In order to limit as far as possible the use of metallic money and to reduce the amount of paper money, the use of postal checks is being urged, a scheme which had been introduced by the Government before the war. During the year 1915, 568,000 checks to the amount of 5 to 7 milliards of marks passed through the central clearing institution.[17] To supply the necessary small change the Government has been forced to issue some $25,000,000 in iron five pfennig pieces (1¼ cents).

Germany has been more successful than any other country in maintaining and even increasing the gold reserve in the possession of the Centralbank. The bank had a gold reserve at the end of July, 1914, of $340,000,000, which had been increased to $634,000,000 in April, 1915, and to $615,000,000 on April 5, 1916. A large part of this gain was due to a successful appeal to the people to exchange their private holdings of gold for notes, as had been done in France; as a result $200,000,000 was added to the reserve of the bank. It has been difficult for Germany to export her gold even if she had wished to, and consequently the stock is being kept practically intact.[18] The reserve held by the bank amounts to about 35.2 per cent. of its circulation and about 21.7 per cent. of all its liabilities.

COMPARATIVE STATEMENT OF IMPERIAL BANK OF GERMANY[19]
(000,000 omitted)

	1916 April 7	1915 April 9	1914 April 10
		Marks	
Gold reserve	2,461	2,347	1,273
Loans, discounts	5,189	4,365	1,208
Treasury bills note circulation	6,674	5,379	2,218

AUSTRIA-HUNGARY

THE finances of the dual empire were in worse condition at the outbreak of the war than those of any of the other belligerents. For ten years the Government had been facing a deficit, and had met it by borrowing; con-

[15]"Commercial and Financial Chronicle," April 1, 1916, p. 1179. "Annalist," April 10, 1916.

[16]"Die Bank," Feb., 1916, p. 147.

[17]London "Economist," Feb. 19, 1916, p. 298.

[18]According to the London "Statist" (Feb. 26, 1916, p. 357) the German Government by act of Nov. 23, 1914, made the buying or selling of gold at a premium punishable by fine and imprisonment.

[19]"Commercial and Financial Chronicle," April 15, 1915.

sequently the debt was large and the financial standing of the country low. As a result, this country has been compelled to resort most heavily of all to the use of paper money. At the outbreak of the war the bank act requiring a forty per cent. reserve for notes was suspended (which meant a suspension of specie payments), the publication of bank reports was stopped, and a general moratorium was proclaimed. In August the Government made arrangements with the banks by which they were to advance funds in return for Treasury notes, which they agreed to sell to the public on commission. The note issues have been greatly increased as the suspension of specie payments removed the check upon inflation. The inflation is shown in part by the depreciation of the krone to the extent of about thirty-seven per cent. on April 17.

II. TAXATION

THERE is general agreement among writers on public finance that taxation should be used vigorously during the conduct of a war, and that sole reliance should not be placed upon paper money and loans. At a time when patriotism runs high the people will submit to a tax burden at which later they might possibly grumble. It is, moreover, only just to put a part of the burden upon the non-military class, who stay at home. The military burden must of course be borne by the combatants in the field. Nor is it regarded as desirable that the whole cost should be shifted, by means of loans, to the next generation. On the whole, the use of taxation has as yet not been very vigorous in the conduct of the present war.

GREAT BRITAIN

THIS is the only country which has thus far made serious use of this method. During the period between 1909 and 1914 many new taxes had been imposed, and this policy had been criticised, especially by German writers, on the ground that no field had been left open for war finances. But since the outbreak of the war the Chancellors of the Exchequer, Lloyd-George and McKenna, have added still other taxes; the income tax has been trebled and quadrupled and the minimum exemption has been lowered from $800 to $650. The average rate of the income tax is now not far from ten per cent. A fifty per cent. tax on war profits was imposed and additions made to the customs and excise duties. These fell upon sugar, tea, cocoa, coffee, chickory, tobacco, dried fruits, gasoline, patent medicines, and imported luxuries. The increase in the revenue from these additional sources will perhaps be made most evident if we compare the Government revenue for the fiscal years ending March 31. In 1914 it was $1,000,000,000; in 1915, during which the new taxes were initiated, $1,135,000,000; in 1916, $1,500,000,000; and for 1917 it is estimated that the revenue will amount to $2,000,000,000, or double what it was four years previous.[20] Not satisfied with this large increase in the tax revenues of the Government, the Chancellor of the Exchequer on April 4, 1916, proposed the addition of still further burdens. Mr. McKenna announced a deficit from last year of $56,700,000, and estimated a still greater one for the coming year. He proposed an addition to the income tax which on the higher levels would rise to as much as five shillings in the pound, or a rate of twenty-five per cent. This he estimated would produce $217,500,000. A tax on amusements, including theaters, moving-picture houses, horse-racing, and football matches he estimated would produce $25,000,000. A new tax on railway tickets would yield $15,000,000,[21] while an increase of the duty on sugar was estimated to pro-

[20] The Revelations of the Budget, by A. Hurd, "Fortnightly Review," Nov., 1915, p. 3.

[21] Owing to dissatisfaction this tax has been dropped, according to cable reports.

duce $35,000,000. The tax on war profits would be increased from fifty per cent. to sixty per cent. These would yield in new taxes a total of $325,000,000.

FRANCE

OWING to the military invasion of France, a resort to taxation as a method of financing the war was manifestly impossible. The foreign trade was almost ruined, exports falling off about one-half; the existing taxes, especially the lucrative indirect ones, declined; the income tax, which had been voted and was to have been put into effect on January 1, 1915, was postponed. Consequently France has made no use of taxation as a method of raising aditional revenue, but on the contrary has had to face smaller returns from existing taxes. Apparently, however, there has recently been a slow recovery to almost normal conditions in the domain of taxation if not of trade. The tax receipts for February, 1916, were about $50,000,000, which is an increase of $8,000,000 over February, 1915, but about $7,000,000 below normal.[22] It is reported that a new tax on war profits is to be introduced, as in most of the other belligerent countries; they are to be taxed on a sliding scale, varying from five per cent. to thirty per cent.[23]

RUSSIA

THE war has had a disastrous effect upon the foreign trade of Russia. A third of it had been carried on with Germany; that of course ceased immediately. The closing of the Dardenelles and the suspension of the navigation of the Baltic practically put an end to the rest, except a small quantity, mostly imports of ammunitions, shipped via Archangel and Vladivostock. During the first five months of war Russia's imports decreased 73.5 per cent, while her exports fell off 89.6 per cent.[24] The loss of her foreign trade deprived her of practically $250,000,000 in customs duties, and at the same time the expenditure and business taxes fell off one-third. The prohibition of the sale of vodka lost the Government a net revenue of $340,000,000. But new taxes were immediately levied; there was an increase in the city real estate, house, and poll taxes, and in the postal, telegraph, and railroad charges. Fifty different plans for fiscal monopolies to take the place of the alcohol monopoly were proposed, and five of these have been seriously considered; namely, Government monopoly of the sale of matches, tea, tobacco, naphtha, and insurance. The budget of March, 1916, shows a deficit of $105,000,000, which the Minister of Finance announces will be met by loans and paper money; but at the same time he has proposed additional taxes: an income tax on all incomes over $500, which, if enacted, will be the first in Russia; increases in the customs duties; and an indirect tax on textile manufactures. It is estimated that the Government will secure $430,000,000 increased revenue from these sources.

GERMANY

AS yet no taxes have been levied in Germany, the Government having relied thus far upon the war chest, paper money, bank advances, loans, and tribute from conquered territory. They have been avoided as long as the budget balanced; but on March, 16, 1916, Dr. Helfferich, the Secretary of the Treasury, announced a deficit of $120,000,000, which he declared would have to be covered by the imposition of new

[22] "Annalist," April 10, 1916. See also "Facts About the War," published March, 1916, p. 4, by the Paris Chamber of Commerce.

[23] Babson's Reports, Feb. 8, 1916.

[24] "The Cost of the War, by E. Crammond. "Jour. Royal Statistical Society," May, 1915, p. 372.

taxes. The taxes suggested are a special tax on war profits, an increase in the tobacco tax, and additions to the postal, telegraph and telephone rates, which are Government monopolies. The proposed scheme includes a surtax of five pfennigs on ordinary letters, two pfennigs on postcards and local letters, twenty-five pfennigs on telegrams, and a twenty per cent. increase in telephone charges. Rates on parcels post packages, money orders, special delivery letters, and other postal facilities are also increased.[25] These are temporary and indirect so as not to interfere with the direct taxes of the German states and cities. It is altogether probable that further resort to taxes in the near future will be made in Germany for the purpose of financing the war. The interest on the war debt amounts now to nearly $500,000,000 annually or two-thirds of the total yearly expenditure of the Government before the war. Thus far the interest on the earlier loans have been paid by the proceeds of later ones, but the point has now been reached where additional revenue from taxation will have to be secured.

AUSTRIA-HUNGARY

No effort, so far as is known, has been made in this country to secure any additional revenue since the outbreak of the war by the imposition of war taxes.

ITALY

The finances of Italy were not in good condition when the war broke out, but have nevertheless withstood the shock fairly well. During the three fiscal years ending June 30, 1912, 1913, 1914, there were deficits which averaged about $36,000,000 yearly.[26] For the year ending June 30, 1915, there was a slight decline in revenue, but the growing expenditures made an increase imperative. Increases in existing taxes were accordingly made in October, November and December, 1914, on a number of articles, as stamp duties and duties on bills of exchange, on motor cars and motorcycles, on imports and exports and on incomes, and a new tax was introduced on tickets to moving-picture shows. Again in September and October, 1915, increases in postal, telegraph and telephone charges, and further increases in the stamp duties were made, and two new taxes were introduced, one on the exemptions from military service and the other on the fees of directors of joint-stock companies. A tax on war profits is suggested. The total yield of the new taxes is estimated at $52,000,000 annually, or about ten per cent. of the existing budget. In view of the enormous increase in expenditures entailed by the war this must be regarded as a slight contribution to the costs of the war out of current income. This fact, as well as the character of the taxes to which resort has been made, indicates clearly the difficulties Italy will face when the post-bellum adjustment takes place.

III. LOANS

These have been the chief method of financing the war, even in the case of nations like England, which have made vigorous use of taxation, or like France and Austria-Hungary, which have made larger use of paper money. In our own country, the War of 1812 and the Civil War were financed by means of a loan policy; but the financial conduct of both of these wars has been severely criticised.[27] In defence of the loan policy during the struggle now going on it is urged that the present generation has as great a burden as it can bear in the conduct of

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[25]"Commercial and Financial Chronicle," March 11. 1916, p. 921.

[26]"The Public Finances of State," by L. Einaudi. "The Economic Journal," Dec., 1915, p. 496.

[27]E. g., by Prof. H. C. Adams, "Public Debts," pp. 110-133.

DEBTS OF NATIONS AT WAR, APRIL, 1916 (IN MILLIONS)

	Previous Debt[28] (1)	Debt incurred since beginning of war.	Total	—Per Capita— 1914.	1916.	Total debt is P. C. of national wealth[29]
Great Britain	$3,444	$7,983	$11,427	$76	$254	13%
France	6,346	7,290	13,636	160	341	23%
Russia	4,537	4,086	8,623	26	50	14%
Italy	2,921	1,125	4,046	83	115	20%
German Empire	1,194	9,025	10,211	18	153	12%
Austria-Hungary	3,897	2,731	6,628	78	132	12%
Total	$22,339	$32,240	$54,571	$55	$134	15%

the war itself, and may properly postpone the greater part of the cost till a more convenient season. The danger in such an argument, of course, lies in the fact that the "more convenient season" seems never to arrive. It took England eight years (1906-1914) to pay off $535,000,000, or about half of the debt incurred during the Boer War, and this was "wiped away by two months of war," according to Lloyd-George, after the present struggle began. We may expect to see, as a result of the present war, not merely an enormous debt piled up, but to have that debt rest nearly as a permanent legacy upon the people of Europe. It will not be possible to take up in detail the various loans effected by the different belligerents, but a few of the more interesting features that have developed may be noted.

1.—In the first place, mention should be made of the immensity of the debt, the figures for which are fairly staggering. The pertinent facts on this point may be briefly shown in the following table. The burden involved in the per capita debt is perhaps made clearest by comparing it with that of the United States, which amounted to $10.59 in 1913.

It is evident that these new debts are unprecedented and present a phenomenon which it is difficult to estimate. From whatever point of view they are regarded, whether from that of the per capita burden or the relation they bear to the national wealth or income of the country, it is evident that our past experience furnishes nothing commensurate with these figures. And yet the per capita charge of the British debt at the end of the Napoleonic wars ($224) was larger than that of four of the countries named in this table. There is no reason to doubt that these burdens, enormous as they are, will be successfully borne.

2.—Character of the Debt: Practically all of the loans are short-time loans, ranging from three months to ten years. So far as known, only two long-term bond issues have been made: one of fifty years for $515,000,000 by Russia, and another of twenty-five years for $390,000,000 by Italy. Roughly speaking, about one-quarter of the debt is in the form of short-term notes running over less than five years; about one-tenth is in the form of five-year bonds: a half consists of ten-year bonds; and the remainder is unclassified or for a long term. This indicates that the financing of the war, so far as it has been effected by means of loans, has been essentially temporary in its nature. The adjustment and refunding of these short-term obligations will of course have to come later. The accompanying table shows the distribution of the debt according to the length of the term.

England has made the greatest use of short-term obligations and by her issues of Treasury bills has thus post-

[28]Based on reports of the U. S. Bureau of Foreign and Domestic Commerce. The "previous debt" is for 1913 or 1914. The debts of the German States, to $3,854,795,000, are not included.

[29]Based on a table in an article on The Economic Costs of War, by W. S. Rossiter, "Amer. Econ. Rev.," Supplement, March, 1916, p. 112.

poned the necessity of resorting to a third war loan, but this may be expected in the not distant future. Thus far England has made only two national loans at 3½ per cent. and 4½ per cent. France has made large use of Treasury bills and her advances from the Bank of France are also included under the short-term securities; she has used two forms of national loans. Over one-third of Russia's short-term obligations represent Treasury bills discounted in Great Britain and France; four internal loans are included. Italy offers a contrast with the other *Entente* allies in having thrown such a large part of her debt into long-term bonds; the table includes three national loans.

DISTRIBUTION OF THE WAR LOANS OF EUROPEAN NATIONS, 1916

Country. (IN MILLIONS)	Under 5 years.	5 years	10 years.	Unclassified.	Total.
Great Britain	$2,583	$700	$4,750	....	$7,983
France	2,944	250	3,547	$549	7,290
Russia	2,541	515	515	515[30]	4,086
Italy	235	....	....	890[31]	1,125
Germany	20	1,115[32]	7,890[32]	....	9,025
Austria-Hungary	136	237	433	1,925	2,731
Total	$8,459	$2,817	$17,135	$3,897	$32,240

Germany's war loans have been issued upon schedule, obviously according to a carefully planned policy. In September, 1914, the first national loan was made, and thereafter each March and September, at half-yearly intervals, a new loan has been announced. With the proceeds of these the short-time obligations and advances from the Reichsbank have been repaid. Four war loans are included in the table. Austria-Hungary's financial and economic conditions are coming more and more under the direction of Germany, and her disorganized finances may eventually be put in order. Germany has advanced considerable sums to her allies, Austria-Hungary, Turkey and Bulgaria, and will undoubtedly have to finance these still further.

3.—The rate of interest: This has naturally been forced higher as the governments have made ever-increasing demands upon the loanable funds of their citizens. Thus the first British loan was placed at 3½ per cent., while the last one was 4½ per cent. Or, if the rate of interest has remained constant, the bonds have been sold at a greater discount as in France, where the first five per cent. loan sold at par and the second at 88. Or, finally, the rate of interest remains the same and the successive issues of bonds are disposed of at practically the same prices, but the depreciation of the paper money measures a real decline in comparison with other prices. Thus in Germany, the issue prices of the four war loans have been 97½, 98 and 99, and 98½, but the mark has steadily depreciated until it has reached a discount of about twenty-five per cent. There is thus a real fall in the price of the bonds as they are measured in this depreciated currency, which is equivalent to a rise in the interest rate.[33] All this is of course a perfectly natural and ever-necessary phenomenon. With the refunding of these loans, however, we may expect to see interest rates fall again, with a possible recapitalization of income values.

4.—The loans for the most part have been domestic loans. Disregarding the loans by Germany to Turkey, Austria-Hungary, and Bulgaria, and by Great Britain to the *Entente* allies, which par-

[30]Fifty years. [31]Of this $390 is for twenty-five years. [32]The short term Treasury bonds and the war loans are not separable.

[33]A proposition has been made in Germany for a still different kind of loan in case a fifth loan becomes necessary, namely, a lottery loan yielding premiums of ½ to 1 per cent., in order to keep nominal interest rates down.—"Berliner Tageblatt," Feb. 22, 1916.

take of the nature of family assistance, the only external loan has been the Anglo-French issue which was placed in the United States. For some of the belligerents, in fact, there is scarcely any foreign market for their bond issues. Not merely are the loans domestic; they also are popular, in the sense that they have been offered directly to the people at a fixed price, and have not been taken over by syndicates. They have generally, if we may believe current reports, been over-subscribed, a point which has a political value in its effect upon the people both at home and abroad.

5.—A very interesting feature of the bond issues which have been made in practically every country is the fact of their small denomination and wide distribution. England, for instance, issues bonds for as low as $25, which are salable at all postoffices, while war loan vouchers for a sum as small as $1.25 may be had at any postoffice or trade-union headquarters. Slight success, however, has thus far attended this effort to tap the savings of the working classes, as only about $34,000,000 of the 5s. vouchers have been sold. France has gone farthest in its issue of "baby bonds," and sells them in denominations of $1, obtainable at the savings banks and Government loan offices. The lowest denomination in Russia thus far seems to be $25; in Germany it is $2.50; and in Austria-Hungary $10. The sale of bonds in such small denominations has meant a very wide distribution in their ownership. We are told, for instance, by Monsieur Ribot that on the occasion of the last French loan the people assembled in crowds and waited for hours at the savings banks and postoffices to purchase five-franc, ten-franc and fifteen-franc stock. The importance of this wide distribution in the holdings of the Government loans in its effect upon the stability of the Government and the unlikelihod of repudiation can scarcely be over-estimated. The number of persons having a financial stake in the Government will be so great that they will act as a conservative influence upon the return of peace, and will oppose any propositions for repudiation or scaling down the debt, a part of which they hold.

6.—The Mobolization of Assets: The points thus far mentioned are more or less familiar, though carried out on a larger scale in this war than ever before; but the so-called "mobilization of assets" is an absolutely new expedient in the realm of finance. It was first made use of by Germany, but has since been copied by England, and to a less degree by France. The German Government, in order to provide its citizens with funds with which to purchase the war bonds, offered to make loans upon the collateral of good securities held by Germans, but which they were unable to market under existing conditions. As the loans were made in paper money the transaction effected the double purpose of getting this into circulation and of selling the bonds. On March 24, 1916, the British Government began its plan of receiving American "dollar securities" (i. e., those issued in terms of dollars) as loans or deposits to be held by the Treasury for two years, the rental thereon to be one-half per cent. per annum. The income from the securities goes to the owner, but the Government will use these as collateral for loans from American bankers, and reserves the right to purchase any issue at 2½ per cent. above the market price.[34] It is estimated that at the end of March the Treasury held about $150,000,000 of these securities, and that the total amount still held by private citizens in England varies between $750,000,000 and $1,000,000,000.[35] The amount of "dollar securities" in France is much smaller—probably not over $25,000,000 —as most American securities designed for sale in France have been issued in denominations of French currency.

7.—Will these debts be paid? Is repudiation likely? It may safely be affirmed that these debts will not be repudiated. No first-class state has ever yet repudiated its debt. The financial

[34]Chicago "Economist," April 1, 1916.

[35]"The Nation," March 30, 1916.

fate which overtook Egypt and Turkey or some of our own commonwealths when they did so shows the danger to the credit of a country from such action. Moreover, the popular ownership of the evidences of debt just described will effectually prevent any repudiation by the Government, and the more democratic the country is the less likely will such repudiation be. Finally, the necessity that every important state is under of borrowing again sometime in the future will act as the strongest protection against repudiation. The future cannot be sacrificed to the present.

Will these debts be paid? It is unlikely that they will, at least in the near future; but that is not necessary. The holder of a bond can always get the principal by sale on the open market, or when the debt is refunded. In the meantime, he gets the interest. It is, moreover, by no means certain that interest rates on them will be reduced. When these debts are refunded, if the demand for capital causes a rise in interest rates, as we are assured by some authorities will take place, it will of course not be possible for the governments of Europe to refund their bond issues at lower rates. A government cannot fix the interest rate of its bonds arbitrarily, but may simply follow the market rates.

Preparedness by Foreign Trade

By GEORGE REQUARD of the First National Bank of Baltimore, Md.

THE greatest source of economic evil we shall have to look forward to after the nations in Europe have started to recover from the frightful conditions now prevailing, the greatest danger that we must guard against with unceasing diligence and against which the banking interests in particular must prepare to protect themselves, is a rapid depletion of our stock of gold and the consequent curtailing of credit extensions. I say rapid depletion advisedly, because it is unquestionable that when business and industry start up anew on the other side they must make every effort to reclaim for their own use the gold they are now so freely sending to us.

The only thing we can do is to make it move as slowly as possible and so prevent Europe from draining us of the commodity upon which our vast credit, a credit that is now continually expanding, is embedded. We cannot stop it from going. When conditions again swing back toward the normal and order is again establishing itself out of chaos and confusion, the natural economic laws, which seem to have been set aside for the time being, will be found to be just as true as they ever were. Consequently, it will readily be seen that we must prepare to minimize this depletion and make the gold that we shall have acquired move slowly in its journey to other fields and so avoid a convulsive contraction of credit such as would happen now if the pendulum were suddenly to swing the other way.

The effect of such a rush of gold to Europe is obvious to anyone who has given the matter serious thought, and it need not be mentioned here. And since it is evident that we cannot stop it, the

important thing to do is to consider what measures we must take not to prevent the situation, but effectively to control the course of events when the onslaught comes. We must be prepared.

AMONG the many steps we must take to render ourselves impregnable, and perhaps it is the most important one, is to cultivate and expand our foreign trade. If we are prepared in this respect we have gone a great way toward making the drain on our gold supply less to be dreaded than would otherwise be the case. Why this is true is not difficult to see.

During the course of the last century economists generally have considered the question of the balance of trade of little real importance; the mercantile theory, so tenaciously adhered to previous to the nineteenth century, has practically been abandoned, and rightly so. Whether a country imports or exports more goods does not in the long run matter very much. But in the coming readjustment of financial conditions and as a consequence of the present abnormal economic state of affairs, it would seem to be of considerable importance, not in itself, but as a contributory influence. Whether we buy or sell more goods abroad does not matter to a great extent, but as a means of effecting the control of the gold supply, it is a matter of prime importance, especially to the banker. This is true for two salient reasons. They are the maintenance of a favorable rate of exchange and the creation of funds abroad without moving capital from home.

It is not the possession of gold but the control of its movement that is principally necessary to maintain the rate of exchange. Prior to the war England actually possessed less gold than the United States or France or Russia, but nevertheless the pound sterling was the international money of the world. If we maintain a large favorable trade balance the rate of exchange for American gold will be to our advantage, and that of course is essential to our continued prosperity.

By selling more goods than we buy abroad we increase the debt due us from other countries. This debt must somehow be repaid or a credit balance is built up which can be used in various ways. Of course, such a balance is not usually settled in gold but is liquidated in such manner as conditions may require. The most advantageous manner of liquidating this balance, under the conditions here assumed, will be to lend it out abroad. Europe will want capital badly and it will certainly yield a higher return on the investment there than it would at home. By selling bills drawn against balances abroad or by making remittances against foreign balances we will retain just that much gold at home and at the same time increase the debt due us from abroad by whatever amount the rate of interest may yield.

When we speak of the balance of trade ordinarily we have in mind imports and exports of commodities only, for that is what the custom-houses take into consideration, and the only statistics obtainable to any degree of thoroughness embrace these alone. But these are not by any means the only elements that go to make up the trade balance of a country. We must consider others that do not enter into the custom-house statistics, such as the exportation of stocks, bonds and other forms of securities, travellers' expenses, shipping expenses, insurance and others. Of these, the most important, and with which the banker is most concerned, is the export of securities, which embraces loans made in foreign countries is therefore an exportation of capital. An exportation of capital not only means that so much capital is exported but that as the borrowed capital is put to work in the borrowing country activity is stimulated, an increased demand for goods created and consequently the imports of the borrowing country increase accordingly. In the satisfying of that increased demand for imports the lending country exports such a share as its peculiar facility for furnishing the desired

articles may be more or less favorable as compared to the world at large. Usually the lending country finds that the demand for its goods has been increased to the extent that it has loaned out capital in foreign fields. Hence, the loaning of capital by one country to another causes an increase in the exports of the lending country and in the imports of the borrowing country. That is why England has been able to maintain first place in the world's trade.

As a set-off to this increase in a favorable balance, the sum in payment of interest owing by the borrowing country becomes an import to the lending country to the extent of the amount due, so that unless the amount of capital yearly loaned or exported abroad is greater than the amount of interest due and paid on the total of previous years' loans, the stream will begin to flow in the opposite direction. This explains the fluctuations in the value of the exports of a lending country, as the amount of new capital invested in foreign countries varies from year to year. It might be supposed that in the course of a few years this payment of interest if the foreign loans of a lending country have been large, would exceed the total amount of fresh capital available for use in foreign fields, but that is not necessarily true. For the increase of wealth obtained through the production of goods to satisfy the export trade amounts to a proportionable extent in the general increase of wealth of a country, and this, with the natural resources, the potential wealth, should postpone indefinitely if not prohibit for all time, a situation where capital available for foreign enterprise would not be sufficiently obtainable, provided, of course, that the general export trade be wisely administered.

THE above may not seem just to the point to the average banker who is mainly interested in maintaining his gold reserves in the face of the coming demand from Europe. But if it continually be borne in mind that gold is but the representative of capital and that capital is what Europe shall most require, it should be a little clearer. Of course, it should also be borne in mind that gold itself will be required of us in enormous quantities, for that is the reserve on which credit is based in Europe as well as here. But if our export trade be expanded, not with the billigerents in particular, but with the neutral countries, South America and the East, and a large favorable balance of trade be created and maintained, it should be clear that the wealth thence derived will go far toward satisfying the demands of Europe against the United States when the day of settlement comes. And that is without taking into consideration the stimulation that it will have on industry at home, which after all, is the most important thing to the nation at large.

Now with the balance of trade favorable to the United States, it is evident that capital may be furnished to the belligerent countries with more or less inconvenience to ourselves, proportionately to the degree to which our foreign trade may be expanded and the balance due us thereby increased. For instance, the balance due to the United States from any part of the world may be used as funds for loans to Europe or it may serve as a means of making payment for any other indebtedness to Europe that may be incurred. In that way the demands upon the United States will be eased and absorbed with less trouble since they are met and satisfied through a source more or less indirect.

Under the circumstances, when Europe wants gold to build up her depleted reserves, she will have but one quick method to resort to and that is to buy it in the open market. It is clear that the market for some time to come will be in the United States. It is also clear that by increasing our foreign trade the rate of exchange will necessarily be more and more favorable to the United States. It therefore follows that the price which Europe will have to pay to recover her gold will be very high and the higher it rises the

less willing she will be to pay the price. Is it not clear then that the flow of gold back to Europe will be correspondingly retarded and slackened and thus give to American bankers and American industry an opportunity to adjust themselves to changing conditions without a great deal of trouble? Of course, the price of gold cannot continue to rise or even to remain at a very high figure for any length of time. The rate of interest with the law of demand and supply and the fresh supply from the mines will in the end prevail; but as a means of temporary relief and as a mitigation of depressing influences, it is indubitably evident that a large trade balance in our favor, as large as it possibly can be, must be maintained if we are to continue in prosperity.

IT has not been the aim of this article to suggest any means to improve our foreign trade, nor to obtain a greater share of it, but merely to impress upon the banker the necessity for it and how and why it will most intimately affect his own particular interest. Nor is it my aim to urge an expansion of foreign trade with a view of grabbing the world's markets for America and then holding on to them to the exclusion of others when the world's business resumes its normal course. Such an attempt would be as ridiculous as it is impossible. But a larger share than we have had in the past is certainly our just share and, if for no other reason than a precautionary one, we must prepare to secure it permanently.

Efficiency Plus in Banking

By AUSTIN STREET

JOHN BECKETT rested his strong hand on the back of an elaborate and unfamiliar swivel chair that stood before his desk, and looked meditatively out into the storm which dashed itself against the heavy plate windows of the bank. A customer from the back country in high boots clumped away from the paying teller's window and passed out into the storm. The old banker bowed his head, touched with the snow of sixty winters, as though he felt the chilling gust that followed the opening of the door. But he was not thinking of the storm. His thoughts centered on Ben King, the departing depositor. He knew the man, and his father before him, as only country bankers can know their customers. He knew that in an old leather coin sack tucked safely away in the depths of his heavy corduroys, Ben King carried his total balance. The train of thought which this interesting fact promoted was interrupted by the hearty greeting of Beveridge, the cashier.

"Seems good to see you back, Mr. Beckett," he said, grasping the older man's hand warmly.

"And after nine months' wandering in foreign lands where I couldn't make myself understood, didn't know what to look at, and couldn't get a decent cigar, it seems good to be back, Charlie."

"All ready to take over the reins this morning, I suppose?"

"No, I think I'd better wait a few days. I have wanted for years to get an outside viewpoint of this little business, and I believe I can come a little

nearer to it now than I ever have before. You just keep matters in your hands for a week or so longer, and let me browse around on my own hook and ask questions. How have things been going since I left?"

"Fairly well, on the whole, we think. Of course, we have missed your counsel in making loans, and have probably lost some business by not loaning in certain cases when we might have safely done so had we known it at the time."

"Your conservatism is to your credit. Better these slight losses than bad paper on our hands."

"That's the way it looked to us, Mr. Beckett," Beveridge rejoined, a note of relief in his voice.

"Now, what are these rather revolutionary changes, Charlie? Things don't look natural to me yet. Where are all the boys, and where's my old chair?"

"Well," replied the cashier, smiling at the mention of the chair, "we have been making some experiments in efficiency, and whereas I don't think you'll find any very revolutionary changes, we have taken out all the bookkeepers and put them in the back room where they can work in undisturbed quiet. Then we have installed a statement machine and two ledger machines which will enable us to dispense with a twelve-hundred-dollar man, and keep our books better at the same time."

"Oh, I see. Just like a big bank," hazarded the president.

"That's it," echoed Beveridge. "We have tried to measure results and get real efficiency in every department of the business."

ONE of the first things that John Beckett did was to send for his old, leather-seated desk chair, so he'd "realize he was home," as he expressed it. Then he began to delve into the affairs of the bank in earnest. Late one afternoon the latter part of the following week he called the cashier into conference. On the desk before him lay piled a few sheets closely covered with figures.

"Charlie," he began without preliminaries, tossing over a short, thick cigar, "notwithstanding a very creditable gain of new accounts—small ones, most of them—we have lost some of the old standbys, and I have been trying to figure out what's wrong. Of course, you know that the change of a bank is a serious matter to any depositor, and a man won't transfer his account without what he considers good cause. I find that nearly all of these accounts have been withdrawn during the past three

"'Charlie,' he began, . . . 'notwithstanding a very creditable gain of new accounts—small ones, most of them—we have lost some of the old standbys, and I have been trying to figure out what's wrong.'"

months, and I want you to help me associate the fact with something that has taken place during that time that has offended these depositors, or something that the bank has failed to do that they evidently thought should be done."

The lines of care that nine months at the helm had traced in the younger man's countenance deepened. "Mr. Beckett," he replied, "this is something to which I have given considerable thought, and I can't understand why we have lost those accounts. I even took the matter up personally with all of the old-time depositors whose names you have on this list, and couldn't get any real satisfaction from any of them."

"What did they say?"

"Oh, they made all manner of non-

committal responses, none of which they meant. Fenwick, for example, said the men at the window didn't seem to know him any more. The others made some similarly feeble excuse which very evidently wasn't the real reason at all."

"Now, wait a minute, Charlie, I think I can see a little daylight there. If a man has been banking here for years it's our business—that of the teller—to know him. If we fail to recognize him it's something of a slight, and he is very quick to resent it in a semi-public institution in the upbuilding of which he had had a part."

"But we have to change our window men during the lunch hour, and in occasional emergencies," protested Beveridge.

"That's true," assented the elder man. "It's one of the things we can't always help."

"And we haven't made any permanent changes."

"Then what do you understand Fenwick to mean?"

"Why, unfortunately, it happened that the man who waited on him didn't know him. You see we have designated one man exclusively at the statement window instead of letting anybody who happens to be there wait on customers. We found by actual test that this change saved us valuable time."

"This is another of the methods to increase efficiency that you mentioned to me, isn't it?"

"Yes."

"Whom have you let out?"

"No one yet. The full force are still occupied in effecting the changes and readjustments we are discussing, but but within a week or so one of the new men will find that he can't keep busy, and will just naturally work himself out."

"But, Charlie, what do the bookkeepers think of these changes?"

"Why—why, I don't know as I know, Mr. Beckett. You see you left the bank in our hands, and we've been running it. We haven't consulted the bookkeepers."

Beckett shook his head gravely. "Mistake, my boy, a grave mistake. You are overlooking a big bet when you fail to build up a loyal organization that will eventually be capable of relieving your shoulders of detail."

"But, Mr. Beckett, you wouldn't have advised consulting the employees in matters of the bank's policy, would you?"

"Yes and no. Let me answer that question by asking you one. Whom have you been consulting? You two boys haven't had time to run this bank and work out all these changes at the same time."

"Why, Porter has been studying banking efficiency, and has made some mighty good suggestions. In actual practice they have worked, and worked amazingly well."

"Then you have consulted one of your employees pretty freely to the exclusion of the others?"

"Well—yes. He is the only one who has seemed to take enough interest to come to us and suggest these economies and improved methods, and he is a plugger. He has put in a lot of night work on this thing."

"Charlie," mused the senior official, blowing out a great cloud of smoke and looking intently at some picture he had conjured up in the soft blue haze, "do you remember the time when you were on the A-E ledger, and I came to you one night and asked you if you could suggest any better way of doing certain parts of your work? Yes, surely you do. And about three days later you came up with a suggestion for the very change I had been planning on for three weeks? We tried it, allowing you to believe that it was your own idea. It worked, and still does."

"Well, isn't that precisely what we—"

"Wait a minute," and John Beckett raised his hand commandingly. "Suppose I had tacked a little bulletin up over your desk like this one," and he drew from his pocket a notice typed on the bank's letter-head. "A bulletin to the effect that young Hinkson who was then working beside you, would be recognized as the head bookkeeper. And suppose further that he had suggested that change in your work, and changes

in the work of a lot more of you older men, and these changes had been put into effect without so much as a word of consultation with you. How would you have liked it?"

"Why, I would have thought that you were within your rights as my employer."

"Certainly you would; but would it have been conducive of real co-operation on your part. How much loyalty would it have bred in your heart for the old Farmers and Traders? Wouldn't you have said to yourself, the next time something went wrong—'well, let Hinkson fix it, that's his job?' "

"But I don't see the analogy, Mr. Beckett. I don't believe our boys feel that way. They haven't any of them said anything to me about it."

"Well, that's just the way they do feel, and a man don't need to more than step inside the door of that ram pasture you've got them corralled into to know it. They don't need to say so; it's in the air. I'll bet Porter feels it."

THE cashier bit his lip. He liked authority, and he was already pondering on the humiliation of a change back to the old methods carried over his head. Besides, he had tried hard and faithfully to perform the trust reposed in him in the president's absence.

Something in his expression brought this home forcibly to John Beckett, and he leaned forward and slapped him kindly on the shoulder. "Now don't take this talk too much to heart, Charlie. Business is a big game, and the the longer a man plays it the more he knows about it, that's all. I've made mistakes like this for years at a stretch, I suppose, and just because we all stuck close none of us discovered them except by degrees or by accident. Now I'm talking like an outsider, and if it does the bank any good, it won't hurt you. We're all wrapped up in the Farmers and Traders—yes, every one of us, and we want what's best for the bank. Now there are just as many bright ideas waiting for a tryout in this bank as there are names on the payroll, and I always found that one of the best ways to bring them out was to receive them encouragingly when they were volunteered and ask for them when they weren't. No doubt young Porter is a bright lad, but you can't run a mere boy in over the heads of men who are broader across the forehead than he is across the chest. It won't work, Charlie. You say that you're about ready to save two men's salary, one by the use of labor-saving machines, and one by moving the bookkeepers. The first of these is all right; but before you effect the second saving I want you to figure out what we are spending in advertising to get new business, and how much business you are going to lose by letting two bookkeepers go."

"The old banker bowed his head touched with the snow of sixty winters, as though he felt the chilling gust that followed the opening of the door. But he was not thinking of the storm. He was thinking of Ben King, the departing depositor."

"Why, the men I would let out don't control any business, Mr. Beckett. The total of their friends' accounts doesn't merit serious consideration as weighed against their salary." Beveridge was on familiar ground now, and he spoke decisively.

"That may all be true, Charlie, but Fenwick's remark has been running in my head pretty persistently, and I have just coupled it up with King's withdrawal, and two or three other things I have noticed, and I think we need those bookkeepers right back here in this front room even in the midst of all the hubbub of a busy Saturday market day. And if we should even eventually require another man on the books, why let's get him; the bank can stand it. Charlie, a friendly face in a bank that can greet a customer with a heart-warming smile of genuine pleasure is an asset not to be lightly regarded. And I don't refer to the stereotyped professional smile of some paying tellers. I mean the smile of your soul that lights up your face when you meet an old friend. Before I went abroad if Ben King came into the bank there were at least three men ready with a pleasant, 'Hello, Ben, how's everything up the river?' He came in yesterday, and the lad at the window didn't happen to know him. All the boys who do know him and usually go up to the window and wait on him are now closeted out in the back room for the sake of efficiency."

"But they segregate the bookkeepers in all of the big banks," cut in Beveridge. "They are never permitted to even approach a window."

"True, but the city banks are serving a different class of customers than we are—totally different. Their depositors are men whose whole business training and banking experience have been such as to lead them to expect business-like, impersonal treatment at the windows of a bank. That's efficiency in a big city, but it's 'efficiency-plus' down here.

"Business is different with us. Take, for example, this chair I am sitting in." Beveridge colored slightly, and started to speak, but the president was too quick for him. "That's all right, Charlie, I don't blame you for thinking I needed a new one. I do, but I had the janitor resurrect this one and I am going to make it last just as long as I can, because it's a sort of landmark for some of the back country boys. You see they've bared their hearts beside this homely old chair. Their eyes have roved over the seams and furrows in the time-stained leather cushion while they confided to me their hopes and fears, their ambitions and their troubles. They have come here to me when they got married, when the first baby came, when crops failed, and when they have inherited money. To them the old chair has become inseparably associated with the Farmers and Traders—with me, perhaps—and I can't make a change to a mahogany desk and a swivel chair without erecting just a little barrier between me and the flannel-shirted men with mud on their boots who have made this bank what it is today. What I am about to say will sound reactionary, but it's a solemn fact that $25,000 invested in marble and mahogany in this bank would reduce our deposits by just about the cost of the improvements."

"But how about the statement machines?" questioned Beveridge, dubiously.

"Good business, beyond a doubt," came the hearty response. "Catch some of the boys some day and run them through behind the rail and show them just how the new machines eliminate errors. They use modern harvesting machinery in their business, and the merits of a good machine won't be lost on them. You don't fully get me yet. Business policy doesn't demand that we remain stationary while the rest of the world moves. What we must watch is the broad policy of the bank as reflected in even the little momentary points of contact with our depositors. It's their bank, Charlie, not ours. Always remember that. We couldn't have done business one month without them, and we want to keep the old familiar banking rooms that they have grown to like, and the friendly faces, just as long as we can. Stability and permanence count big in banking. Be slow to change. Our depositors would be quick to resent it if I took to wearing a Prince Albert and carrying a cane, and figuratively speaking, the bank has been trying to wear a plug hat during business hours, which is just as unpopular here."

"I see it, Mr. Beckett; I see it all

now, but what can we do to repair the damage that has already been done?"

"I have got to be out of town for the next week," said the president, making no direct answer. "And by the way, I had a letter this morning asking me to recommend a good man to go on the books of the First National down at Orford. Since you said that you could dispense with one of our boys I thought it was a good chance, so I have recommended young Porter, your efficiency man. I think the organization can spare him perhaps better than any of the others."

Beveridge looked up quickly and slowly his face mirrored the president's kindly smile. "When you return from this trip I think things will look more natural," said he, and he smiled again.

Steel Pen Points

By DAVID N. CARVALHO

THE original flexible iron pen of modern times was an experimental affair, (as mentioned by Chamberlayne in 1685. In 1750, Arnoux, a French mechanic, made metallic pens with side slits. Samuel Harrison, an Englishman, began the making of steel pens in 1780.

The first American to make steel pens was Peregrine Williamson, a native of New York, while engaged as a jeweller in the year 1800 in the City of Baltimore.

The first steel pens, however, in regular use were made by Wise of London in 1803, and for several years thereafter. Under great discouragement he persistently pressed the introduction of his pens, which were of barrel form, adapted to slip on a stick and given the name of perpetual pen. He gradually broke ground for the Hawkinses, the Gillotts and the Perrys, who succeded him. To him belongs the credit of being the original inventor of the modern steel pen.

Joseph Gillott, a cutler of Sheffield, England, gave a great impulse to the steel pen industry in 1822. Previous to his entering the business, pens were cut with shears and finished with the file. Gillott adapted the stamping press to the requirements of the manufacture, as cutting out the blanks, forming the slits, binding the metal, and impressing the maker's name on the pens. He also devised improved modes of preparing the metal for the action of the press, tempering, cleansing and polishing, and in short, many little details of manufacture necessary to give them the required flexibility to enable them to compete with the quill pen then generally used on the soft hand-made or machine-made writing paper of those periods. One great difficulty to be overcome was their extreme hardness and stiffness; this was effected by making slits at the side in addition to the central one, which had previously been solely used. A further improvement, that of cross-grinding the points, was subsequently adopted.

In the production of steel pens of modern times the general public may not know about the long and intricate processes involved in the transformation of a sheet of steel into first quality writing pens.

The steel employed is a very fine quality of spring-steel made in sheets about five feet long by nineteen inches wide. These are cut into strips of certain widths, according to the size of pen required, packed in cast iron airtight boxes placed in a furnace and kept at a red heat for about twelve hours; they are then removed to a cooling muffle and very gradually cooled. The strips are then pickled to remove the scale, and afterward cleansed by rolling in revolving tubs with emery. They are next passed through a series of rolls to reduce them to the proper thickness, which varies greatly in different styles of pens. After rolling each strip, for first class work, is gauged with a gauge which indicates differences so small as the one-quarter thousandth of an inch, and those varying from the true thickness are discarded. The strips are fed by hand to presses having dies, which cut out the blanks. Another operator takes the flat blanks and feeds them to a fly-press which cuts the perforation or perforations. After piercing, they are placed in sealed iron boxes and heated and annealed for eighteen hours. Each blank is then stamped in another press with the maker's name and the device, if any. The metal, now very soft, is shaped to the proper curve by means of fly-presses of heavier construction. Then they are hardened. For this purpose they are placed on small iron pans and heated to a regulated degree of heat; this operation is conducted with great nicety. When the exact heat has been attained the pans are taken out of the furnace and emptied into a tank containing oil; by this means they are suddenly cooled and rendered extremely brittle. Having been cleansed they are next put in a revolving iron barrel and heated oven a fire, letting down the temper and rendering them elastic. In order to remove scale and whiten them, they are placed in revolving barrels containing an abrasing material.

To this succeeds grinding, which is effected in a machine which automatically passes the pen slightly backward and forward several times over a small revolving emery-wheel, an operation requiring great delicacy in manipulation.

The central slit is then made by a fly-press provided with nicely adjusted gauges for holding the pen and two cutters with sharp, smooth, strong edges, one of which cuts into the nib on each side. The points in the better class of pens are now rounded and the pens polished. They are next colored by heating, as in tempering and then lacquered, varnished or coated with other metal. Finally each pen is examined to find out defects which may have previously escaped observation. The defective ones are thrown out and the remainder are then ready to be placed on cards or boxed. The counting is done by weighing.

With the advent however, of the comparatively hard surface finished and now almost universally used writing paper, excessive pen flexibility is no longer the factor it was formerly. The necessary requirements today are: a pen holding a sufficiency of ink to curtail as far as possible necessary dipping in the ink-well. Moderate flexibility and positive elasticity. A strengthening of the fulcrum at the pen's neck by a bracelet or other suitable device; so that the exerted pen energy will be more equally distributed. Properly rounded pen points which can not scratch and which will mark evenly whether the penholder is in line with the shoulder or is held well to the right; thus permitting a writer to exercise his maximum of speed and to enjoy the greatest possible latitude and comfort, and with a certain lessening of the danger of writers' cramp

The number of American steel pen manufacturers, and who may be said to constitute the industry in this country, are few. Indeed, they can almost be counted on the fingers of one hand. The more familiar trade names in this section being "Spencerian." "Esterbrook" and "Hunt." Many of the special pens as branded with these names possess particular and established merit.

Banking and Commercial Law

CASE COMMENT AND REVIEW

"Open From Ten to Three"

BY custom all banks have stated hours of business. The purpose of this arrangement is that the bank may have a designated time during which it transacts business, both for the accommodation of the people and as a help to its employees, whose work is greatly expedited by a definite time of closing when the books can be balanced. The question arises: can the bank lawfully do business out of the regular advertised hours of business? May it cash a check before or after its regular hours and be protected in the transaction?

It can readily be seen that a depositor, depending upon the fact that the bank is supposed to open, let us say at ten, calculates that if his stop order reaches the bank before that time he is protected; or, giving a check after banking hours, it is not payable until the next day, and he may stop payment before it can be presented.

In the present number we present a case of this sort. A woman was induced to buy mining stock. In payment she gave a draft on a savings bank, which advertised to open at ten. The payee presented the draft at 9:30, and received payment. At 9:40 the drawer went to the bank and endeavored to stop payment, only to find she was too late. She did not know of the bank's custom of paying such items before the regular time.

The court says they have not been supplied with a precedent, nor have they been able to find one, which prevents the payment of a draft outside the fixed hours, which is a rule made merely for the convenience of the bank and not for any special protection to the depositor. The payment was sustained. (Butler vs. Broadway Savings Institution.)

Trust Company Powers for National Banks

NEW YORK

BY section 76 of the Federal Reserve Act, national banks are given authority to act as trustee, administrator, or registrar of stocks and bonds, "when not in contravention of state laws." This is equivalent to making a national bank a trust company, for it gives it all the trust privileges of a trust company, which are broad and profitable. A large number of banks have eagerly accepted this function as a desirable adjunct to their business. The states, however, are jealous of their rights in any matter, particularly in the handling of trust funds. The descent and distribution of property is subject to state laws, and in as much as trust companies are largely concerned in such distributions, to permit an institution over which the state has no jurisdiction to exercise these powers is to surrender a valuable right. The Supreme Court of Illinois has passed upon this question and holds that the delegation of this power is not within the prerogative of Congress, is as much as such a function is exclusively a state's right, and that such powers are not necessary to the continued existence of a national bank or for its performance as a governmental agency. The granting of this

power under such rules as the Federal Reserve Board may prescribe, subject to the supervision and audit of the comptroller's office, conflicts with the state's laws as to state banks and trust companies, and with the state's control over private property and is within the exception "when not in contravention of state or local laws and is unauthorized."

National banks are institutions organized as instruments of the Federal Government to carry out its governmental powers, and are not subject to regulations or control of any state. Congress has the sole right to regulate their operations; but the power to regulate property within the limits of the state, the modes of acquiring and transferring it, are subjects belonging exclusively to state jurisdiction, and are subject to state control. (See People vs. Brady, in this issue.)

Leading Cases

Payment of Check Out of Banking Hours

Presentment of Draft on Savings Bank for Payment Before Regular Banking Hours.

New York Supreme Court, Appellate Division, Second Department, Feb. 28, 1916.

BUTLER VS. BROADWAY SAVINGS INSTITUTION

A by-law of a savings bank that the bank shall be open for business daily from 10 a. m. to 3 p. m. does not render illegal the payment of a draft without the fixed hours.

STATEMENT OF FACT AND OPINION

PER CURIAM. The plaintiff, through one Gibbs, was induced to buy mining stock of Pratt, the president of a mining company. It was represented to her that the stock was worth more than she was paying for it and that it would pay dividends within four months. In payment of the stock she gave Pratt a draft on her savings bank, the defendant herein. It was her custom a draw drafts on her account with the defendant in payment of her obligations, and for that purpose she left her passbook at defendant's office. Pratt presented the draft for payment at the bank at 9:30 on the morning following the sale of the stock. The bank honored the draft, and, as was its custom, entered the amount in plaintiff's passbook. Plaintiff, meantime repenting of her bargain, went to the bank on the same morning for the purpose of intercepting payment. When she arrived there, at 9:40, she was informed the draft had been paid.

The bank was accustomed to open at 9 a. m. and to pay similar drafts before 10 a. m., although it had a by-law which provided that "the bank shall be open for business daily from 10 o'clock a. m. to 3 o'clock p. m." The plaintiff did not know of the bank's custom to open at 9 o'clock. She relies upon the by-law, and claims that the act of the bank in paying the draft before 10 o'clock was illegal. The parties have submitted the question in controversy for the purpose of determining their respective rights.

The bank claims that the payment was valid. If that contention is sound, this controversy is settled in its favor. We have not been supplied with a precedent, and we have been unable to find one. The rule quoted does not expressly prohibit the payment of a draft without the fixed hours. The rule is merely a regulation for the convenience of the bank. There is no evidence that in its terms it was designed to afford special protection to the depositors.

Judgment directed for the defendant, with costs. (157 N. Y. Supp. 532.)

Authority of State Courts Over National Banks

Illinois

Constitutional Law—Legislative Powers—Federal Reserve Act—Powers of Federal Reserve Board.

Supreme Court of Illinois, Dec. 22, 1915

PEOPLE EX. REL. FIRST NATIONAL BANK OF JOLIET VS. BRADY, AUDITOR OF PUBLIC ACCOUNTS

Federal Reserve Act, Dec. 23, 1913, section 11k, providing that the Federal Reserve Board may grant to national banks applying therefor, when not in contravention of state or local law, the right to act as trustee, executor, registrar, etc., under such rules as the Board may prescribe, is not within the power of Congress, as such functions belong exclusively to the states, and as the possession of such power by national banks is not necessary to their continued existence, or to their performance of their governmental agencies.

Federal Reserve Act Dec. 23, 1913, section 11k, providing that the Federal Reserve Board may grant to national banks applying therefor, "when not in contravention of state or local law," the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules as the Board may prescribe, in view of the Board's rules requiring the trust department of a bank, granted permission to execute trusts, to be a separate department, under the management of officers whose duties shall be prescribed by the officers of the bank, that the funds, investments, etc., shall be held separate from the funds and securities of the bank, that examiners appointed by the Comptroller of the Currency or designated by the Board shall make audits of the cash, securities, accounts, and investments of the trust department, when examination is made of the banking department, reserving to the Board the right to revoke permits where, in its opinion, a bank has willfully violated its regulations or the laws of the state, conflicts with state laws as to state banks and trustees, and with the state's control over private property and its acquisition and disposition, and hence is within the exception, "when not in contravention of state or local law," and unauthorized.

National banks are instrumentalities of the federal government in carrying out its governmental powers, and in the conduct of their affairs are not subject to the regulation or control of the state, in conflict with the laws of the United States; but Congress is the judge of the extent of powers to be conferred upon national banks, and has the sole authority to regulate and control their operations.

The power to regulate property within the limits of the state, the modes of acquiring and transferring it, and the rules of descent and distribution dealt with by trustees, executors, etc., are subjects belonging exclusively to the jurisdiction of the state, not subject to federal control.

ORIGINAL petition for mandamus by the People, on the relation of the First National Bank of Joliet, against James J. Brady, Auditor of Public Accounts. Demurrer to petition sustained, and writ denied.

STATEMENT OF FACT AND OPINION

FARMER, C. J. The people of the State of Illinois, on the relation of the First National Bank of Joliet, by leave granted, filed in this court a petition for mandamus against respondent, James J. Brady, Auditor of Public Accounts of the State of Illinois. The petition sets up that the relator is a national banking association incorporated under and by virtue of an act of Congress entitled "An act to provide for national currency, secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3, 1864 (13 Stat. 99, c. 106), and acts amendatory thereof and supplementary thereto; that relator is a member bank of the Federal Reserve Bank of Chicago, organized under and by virtue of an act of Congress entitled "An act to provide for the establishment of Federal Reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes," approved December 23, 1913; that the Federal Reserve Board

created by said Federal Reserve Act, pursuant to authority vested in said board by said act, upon the application of relator granted relator on April 7, 1915, a permit to act as trustee, executor, administrator, or registrar of stocks and bonds; that upon the issuing of said permit relator applied to respondent for a certificate of authority to act under what is generally denominated the Trust Act of the State of Illinois.

The petition avers that at the time of making such application relator had performed all things required by it to be done by the provisions of the Illinois Trust Act and the General Incorporation Act of Illinois, and that respondent refused, and refuses, to issue relator such certificate of qualification. The petition prays that a peremptory writ of mandamus issue, directed to respondent, commanding him forthwith to issue to relator a certificate of qualification, as provided under the Trust Act of Illinois.

Respondent demurred to the petition, assigning the following three reasons in justification of his refusal to issue the certificate of qualification: (1) That section 11k of the Federal Reserve Act is a delegation of legislative power by Congress to the Federal Reserve Board, in violation of the Constitution of the United States. and is for that reason void; (2) if it be held that section 11k is not a delegation of legislative power, but a general grant by Congress to national banks of the power to act as trustee, executors, administrators, or registrars of stocks and bonds, it is unconstitutional and void for want of power in Congress to grant such a franchise to a national corporation; (3) that to permit national banks to act as trustees, executors, administrators, or registrars of stocks and bonds in Illinois would be in contravention to the laws of Illinois.

First—Is section 11k of the Federal Reserve Act an attempted delegation of legislative power to the Federal Reserve Board? If it is, the Federal Reserve Act in this particular is unconstitutional, since section 1 of article 1 of the Federal Constitution reads:

"All legislative powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.

Section 11k of the Federal Reserve Act reads:

"The Federal Reserve Board shall be authorized and empowered * * * to grant by special permit to national banks applying therefor, when not in contravention of state or local law, the right to act as trustee, executor, administrator or registrar of stocks and bonds under such rules and regulations as the said board may prescribe."

It will not be controverted that all strictly legislative power granted by the Federal Constitution is vested in Congress, and that all the powers which Congress may exercise are legislative. Congress cannot delegate powers strictly and exclusively legislative in their nature to administrative or other officials. On the other hand, Congress may by general law confer upon another branch of the government the duty, not of legislation, but of execution, and the further duty of determining the application of legislation to particular cases and formulating rules for its exercise. As said by Chief Justice Marshall in Wayman vs. Southard, 10 Wheat. 1, on pages 42 and 43 (6 L. Ed. 253):

"It will not be contended that Congress can delegate to the courts, or to any other tribunals, powers which are strictly and exclusively legislative; but Congress may certainly delegate to others powers which the Legislature may rightfully exercise itself."

Does the section of the Federal Reserve Act set out attempt to delegate to the members of the Federal Reserve Board any legislative duties; and, if so, what? On the other hand, does not the act rather authorize the Federal Reserve Board to apply to the provisions of the act to those banks which, upon application, are entitled to its provisions? A national bank, upon becoming a member bank of a Federal

Reserve bank, is by the provisions of section 11k entitled to a permit to act as trustee, etc., on application to the Federal Reserve Board, provided the grant of such permit would not be "in contravention of state or local law." In our opinion Congress, by the passage of the Federal Reserve Act, purported to authorize such national banks as complied with its terms to act as trustees, executors, etc., and it was but left to the Federal Reserve Board to determine which national banks making application complied with and were entitled to the provisions of the act. The legislation granting the power was that of Congress; the decision as to what banks the legislation was applicable was delegated to the Federal Reserve Board.

The constitutionality of acts delegating administrative power to boards, commissions, or individuals has often been before the courts and upheld. In Field vs. Clark, 143 U. S. 649, the constitutionality of section 3 of the Tariff Act of October 1, 1890 (26 Stat. 612, c. 1244), was involved, which act provided:

"That with a view to secure reciprocal trade with countries producing the following articles, and for this purpose, on and after the first day of January, 1892, whenever and so often as the President shall be satisfied that the government of any country producing and exporting sugar, molasses, coffee, tea, and hides, raw and uncured, or any of such articles, imposes duties or other exactions upon the agricultural or other products of the United States, which, in view of the free introduction of such sugar, molasses, coffee, tea and hides into the United States, he may deem to be reciprocally unequal and unreasonable, he shall have the power and it shall be his duty to suspend, by proclamation to that effect, the provisions of this act relating to the free introduction of such sugar," etc.

The act was held constitutional, and Justice Harlan, speaking for the court, said:

"Legislative power was exercised when Congress declared that the suspension should take effect upon a named contingency. What the President was required to do was simply in execution of the act of Congress. It was not the making of law. He was the mere agent of the lawmaking department to ascertain and declare the event upon which its expressed will was to take effect."

The Federal Reserve Board is the mere agent of the lawmaking department to ascertain and declare whether or not the exercise of trust powers by a national bank would be in contravention of state or local law, and, having once decided the exercise of such trust functions by national banks did not contravene state or local laws, the Board had then imposed upon it but the ministerial duty of issuing the permit.

In United States vs. Grimaud, 220 U. S. 506, the constitutionality of an act of Congress was involved, and it was contended there was an attempted delegation of legislative power. The Secretary of Agriculture was by act of Congress authorized to make provision for the protection of the public forests and reservations, promulgate rules, and the violation of the rules was made punishable as provided in the act. A prosecution was had for a violation of such rules, and the constitutionality of the act raised. The court said:

"In the nature of things it was impracticable for Congress to provide general regulations for these various and varying details of management. Each reservation had its peculiar and special features; and in authorizing the Secretary of Agriculture to meet these local conditions Congress was merely conferring administrative functions upon an agent, and not delegating to him legislative power."

In Chicago, Burlington & Quincy Railroad Co. vs. Jones, 149 Ill. 361, 37 N. E. 247, 24 L. R. A. 141, 41 Am. St. Rep. 278, the constitutionality of an act of the General Assembly of this state was upheld, as not being an attempted delegation of legislative power. The act provided:

"That railroad and warehouse com-

issioners are hereby directed to make, r each of the railroad corporations dog business in this state, as soon as 'acticable, a schedule of reasonable aximum rates of the charges for the ansportation of passengers and eight," etc.

While it is difficult to define the line hich separates legislative power to ake laws from administrative author- to make regulations or apply the gislative provisions, we think in the t here involved no legislative power as attempted to be delegated to the :deral Reserve Board, but the author- conferred upon it was purely admin- rative.

Second—It is a universally admitted inciple that this government is one of umerated powers, and article 10 of e amendments to the Constitution de- ires:

"The powers not delegated to the ited States by the Constitution, nor ohibited by it to the states, are re- rved to the states respectively, or to people."

In Martin vs. Hunter's Lessee, 1 heat, 304, 4 L. Ed. 97, it was said:

"The government, then, of the United ates, can claim no powers which are t granted to it by the Constitution, d the powers actually granted must such as are expressly given, or given necessary implication."

The federal Constitution does not ex- essly authorize Congress to create porations for banking or any other rpose. Section 8 of article 1 of the nstitution authorizes Congress—

make all laws which shall be nec- ary and proper for carrying into ex- ution the foregoing [enumerated] wers, and all other powers vested by s Constitution in the government of United States, or in any department officer thereof."

Under this provision, only, may Con- ss, as a means to a legitimate end, ate corporations. Whether Con- ss had the power, under the Consti- ion, to charter a national bank, was subject of consideration by the Supreme Court of the United States in McCulloch vs. State of Maryland, 4 Wheat, 316, 4 L. Ed. 579. In that case the right of Congress to create any corporation was denied. The opinion was by Chief Justice Marshall. The court recognized that this right was not one of the express powers granted by the Constitution, but said the powers given to the government implied the appropriate means of execution. It was held a bank was a convenient, useful, and essential instrument of the government in its fiscal operations, and upon this ground it was held Congress had the implied power to create the corporation. It was said:

"Let the end be legitimate, let it be within the scope of the Constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the Constitution, are constitutional."

In Osborn vs. United States Bank, 9 Wheat. 738, 6 L. Ed. 204, the court was asked to reconsider the McCulloch case. The Osborn case involved the validity of a state law imposing a tax on the Bank of the United States doing business in the state without being permitted to do so by the laws of the state. It was sought to sustain the state law on the ground that the corporation was created for the management of an individual concern, founded upon contract between individuals and having private trade and profit for its principal object. The opinion was by Chief Justice Marshall, and, reviewing the McCulloch case, it was said the whole opinion of the court in that case was founded on and sustained by the idea that the bank was "necessary and proper for carrying into effect the powers vested in the government of the United States." The court adhered to the decision in the McCulloch case as to the power of Congress to charter a bank and refused to modify that case because the bank was carrying on a private business. The court said it could not be that so much of the act as incorporated the bank was constitutional, but

that so much of it as authorized its banking operations was unconstitutional; that the bank was a necessary and proper instrument for carrying on the fiscal operations of the Government; that unless it be endowed with the faculty of lending and dealing in money it could not effect the object of its creation; and that to destroy its chartered power to lend and deal in money would destroy the corporation. In United States vs. Harris, 106 U. S. 629, 1 Sup. Ct. 601, 27 L. Ed. 290, the court quoted with approval from Story on the Constitution:

"Whenever, therefore, a question arises concerning the constitutionality of a particular power, the first question is whether the power be expressed in the Constitution. If it be, the question is decided. If it be not expressed, the next inquiry must be whether it is properly an incident to an express power and necessary to its execution. If it be, then it may be exercised by Congress; if not, Congress cannot exercise it."

When the National Bank Act of 1864 was before the Supreme Court of the United States, the doctrine of the McCulloch and Osborn cases was approved, for the reason that national banks were in the nature of governmental agencies in carrying out governmental functions, and it was held a state could exercise no control over them in the discharge of their private functions. Farmers' & Mechanics' Nat. Bank vs. Dearing, 91 U. S. 29, 23 L. Ed. 196.

The basis upon which the authorities rest that Congress has power to create a banking corporation and authorize it to carry on a general banking business is that such institutions are necessary and appropriate agencies for the carrying out of certain governmental functions, and while they are authorized to engage in a general banking business (Rev. State. U. S. section 5136 [U. S. Comp. St. 1913, section 9661]), such authority is necessary to their continued existence and the exercise of such power is necessary to enable the corporations to serve the purpose of their creation. The power to create them was never sustained on the ground that Congress had the right to charter a corporation for the purpose, alone, of engaging in the private trade of banking; but the power of such corporation to engage in such trade or business was sustained as necessary to perpetuate the life of the corporation created as an instrument or agent for carrying out the objects and purposes of the Government.

We come, then, to the inquiry whether Congress has the power to authorize a banking corporation created by it, to engage in the business of acting as trustee, executor of wills, administrator of estates, or registrar of stocks and bonds. If such power exists, it must be either because Congress has the power to create a corporation for that purpose, or because the possession of such authority by corporations Congress has the power to create is necessary to the continued existence of the corporations. It will not be contended Congress has power to create corporations for the sole purpose of acting as trustees, executors, or administrators, and it has not attempted to do so. Such corporations could not be made the instrumentalities for carrying out governmental functions. The business of such corporations appertains to private property rights under the laws of the several states, their devolution, descent, and distribution. These are subjects of regulation by the states and not subject to the control of Congress. * * *

Trust companies or corporations organized for the purpose of acting in trust capacities are very different from banking corporations. In some of the states a corporation may be authorized to do a banking business, and also to act as trustee, executor, or administrator; but the two functions, when exercised by the same corporation, are kept separate and apart. In some states banks do not exercise the powers of trust companies, and in others trust companies do not exercise banking functions. Since Congress has no express or implied power to create trust companies to act as trustees, executors, or administrators, the nature and character of their business making them the crea-

tures of the various states, Congress could only vest national banking corporations with such powers if they were reasonably necessary to the efficiency of such corporations for the purposes of their creation as governmental agencies.

If Congress had deemed the exercise of trust powers by national banks necessary to the accomplishment of the governmental purposes for which they were created, it would seem such power would have been granted expressly to all national banks, as was the power to exercise certain banking functions granted by section 5136 of the federal statutes. The right of a national bank to act as trustee, etc., as conferred by the Federal Reserve Act, was made elective with the bank. This feature of the act would preclude the conclusion that Congress deemed it necessary, on any ground, that national banks possess the power to act as trustees, executors, administrators, or registrars of stocks and bonds. If it had, it is evident it would not have made the act elective and permissive. National banks, without the power to act as trustees, etc., have efficiently served the governmental purposes for which they were primarily created, and it not being shown such added powers are now necessary to the further success of such purposes, and we being of the opinion the powers attempted to be conferred by Congress belong strictly to the states, we think the act, in so far as it attempted to confer such powers upon national banks, is unconstitutional and void.

Third—The General Assembly of Illinois, in adopting the State Bank Act, the Trust Act, and the General Incorporation Act, was exercising powers belonging to the State. Banking corporations may qualify under the Trust Act to accept and execute trusts, and corporations may be organized under the General Incorporation Act for that purpose. Section 26 of the General Incorporation Act (Hurd's Revised Statutes 1913, c. 32) provides that foreign corporations doing business in this state shall be subject to the liabilities, restrictions, and duties imposed upon corporations of like character organized under the laws of this state, and they can have no other or greater powers. It may well be doubted whether a corporation created by act of Congress for a national governmental purpose, considered either as a foreign or domestic corporation, could be construed to be within the meaning of the state statute; but, however that may be, we are of the opinion permission to a national bank to act as trustee, executor, or administrator is in contravention of the state law, and such permission is authorized by the Federal Reserve Act only "when not in contravention of state or local law."

While not expressly so stated, we understand the position of relator in effect to be that, if the state is excluded from the exercise of all visitorial and regulatory powers, permission to a national bank to engage in the execution of trust powers would be in contravention of the state law; but it is contended that the exercise of the state authority over such corporations is not excluded. No such authority to the state is recognized either by the act of Congress or the Federal Reserve Board. The rules adopted by the board require the trust department of a bank granted permission to execute trusts to be a separate department, under the management of officers whose duties shall be prescribed by the officers of the bank.

The funds, securities, and investments are required to be held separate and distinct from the funds and securities of the bank, and one from another. Rule 4 requires examiners appointed by the Comptroller of the Currency or designated by the Federal Reserve Board to make thorough and complete audits of the cash, securities, accounts, and investments of the trust department at the same time examination is made of the banking department. The board reserves the right to revoke permits where in its opinion a bank has willfully violated the regulations of the board or the laws of the state.

If, as claimed by relator, national banks will consent to an examination by the state of their trust department, that

would not alter the situation from a legal point of view. A mere examination by permission, and without any authority to take any action if action be found advisable, would be a farce. Large powers in the control and regulation of corporations authorized by the Illinois statute to administer trusts are given the state. In addition to other important powers conferred on the auditor of public accounts, he is required, personally or by competent persons appointed by him, to annually examine such corporations, and may do so oftener if in his judgment it is necessary.

He may cause proceedings to be instituted for violations of law, may direct the discontinuance of any unsafe or illegal investment, and may revoke the certificate of authority to do business.

As a mere business proposition it would seem impracticable and inconsistent to attempt to subject the corporation to the control or regulation of the state and federal authorities at the same time. They might disagree whether the department was being properly conducted and whether its powers were being properly executed. It is easily possible, and we think highly probable, that there would be conflicts of authority between the state and federal authorities, and in that event which is to control?

If both are to have equal authority, how are their differences to be settled? And if one has paramount authority, why say the corporation is subject to regulation and control of both? We think the question has been settled against the right of the state to regulate or control any department of a national bank, even if it were conceded Congress had the power to confer upon it the authority to act as trustee, executor or administrator. In Farmers' Nat. Bank vs. Dearing, supra, Davis vs. Elmira Savings Bank, 161, U. S. 275; Easton vs. Iowa, 188 U. S. 220, and many other cases, it has been held that national banks are instrumentalities of the Federal Government in carrying out its governmental powers, and in the conduct of their affairs are not subject to the authority and control of states in conflict with the laws of the United States; that Congress is the judge of the extent of powers to be conferred upon such banks, and has the sole authority to regulate and control the exercise of their operations, and the states have no authority, whether with hostile or friendly intentions, to interfere with national banks or their officers in the exercise of the powers bestowed upon them by the general government.

We have before attempted to point out that the power to act as trustee, executor, or administrator was not necessary to be conferred upon national banks to enable them to serve the purpose for which they were created, nor necessary to the vitality or continued existence of the corporation. We are furthermore of opinion that those are subjects exclusively within the jurisdiction of the state. Certain powers of government belong exclusively to the states, and certain powers exclusively to the National Government. The power to regulate property within the limits of the state, the modes of acquiring and transferring it, and the rules of descent and distribution of property are subjects belonging exclusively to the jurisdiction of the state. United States vs. Fox, supra; Pennover vs. Neff, supra; Overby vs. Gordon, 177 U. S. 214; Yonley vs. Lavendar, supra. Trustees, executors and administrators deal with private property. They are the instrumentalities through which estates are settled and the transfer of property effected, and through which private property is protected and guarded for the purpose of applying it to the uses for which it was intended. They are not subjects over which the Federal Government has been given control, and any attempt to exercise such control would be "in contravention of state or local law," which is forbidden by section 11k of the Federal Reserve Act, and would also be in violation of the Constitution.

The demurrer to the petition is sustained, and the writ denied.

Writ denied. 110 N. E. Rep. 864.

Conditional Acceptance

WASHINGTON

Acceptance of Draft Payable Out of Contract Funds "When Same Become Available"

Supreme Court of Washington, March 7, 1916.

SCHWABACHER HARDWARE CO. VS. A. W. MILLER SAWMILL CO. ET. AL.

Where a bill of exchange was "accepted payable out of proceeds of Northwestern Fisheries Company contract when same become available," the application by the acceptor of a remittance constituting part of such proceeds to the amount due on the drawer's indebtedness to the acceptor, owing before the acceptance, was a violation of the acceptance; "available" meaning merely "at one's disposal," in the absence of proof of a trade definition, while the holder of a conditional acceptance gets what the acceptance says he gets, even if exceeding the rights of the drawer. (155 Pac. Rep.)

STATEMENT OF FACT AND OPINION

ACTION by the Schwabacher Hardware Company against the A. W. Miller Sawmill Company and another. From a judgment for plaintiff, the named defendant appeals. Affirmed.

BAUSMAN, J.: Foss, indebted to the Hardware Company, drew a bill of exchange on the Sawmill Company, which accepted thus:

"Accepted payable out of proceeds of Northwestern Fisheries Company contract when same become available."

The Fisheries contract was one in which, supplying Foss with material, the Sawmill Company had become his creditor in a large amount, whence it contends, notwithstanding this acceptance, it had a right to repay this previous debt first out of subsequent receipts. In a word, "proceeds" meant *net* proceeds, and "available" *available to drawer* upon a whole accounting. Foss was so embarrassed that the Sawmill Company was obliged to take over, through a new company, his entire business and complete the contract itself, and, after the acceptance, various sums being received from the Fisheries Company, considerable was used in manufacture to make performance. About this portion the Hardware Company makes little contention. What it particularly objects to is the Mill Company's applying a certain remittance to the amount due on the indebtedness to the Mill Company, owing before the acceptance. The lower court, finding no communications between the parties from which to determine what was actually intended, and that the Hardware Company was not apprised that prior indebtedness existed or would be first paid, held that this use of that remittance violated the acceptance. Judgment was accordingly rendered for plaintiff.

In this the lower court was right. As for "available," that we can take only in its ordinary signification of "at one's disposal," since no trade definition is proved. Nor can we say that the holder of a conditional acceptance gets no more rights than the drawer, for he gets what the acceptance says he gets, even if more, and when the acceptance is ambiguous he gets what the court decides that the acceptance says. As to "proceeds," some authors go so far as to say that, when one uses a vague term like that in situations like these, he will be held to have meant gross receipts, from which even production expenses cannot be deducted; others, that the term means net proceeds above production cost or current advances on the undertaking. Whichever of these two lines of decision is correct, there is no authority in either of them sufficient to justify us in extending the term so as to give, not only production expenses, but past indebtedness, a priority over the acceptance. As to this last situation, the best authority is against the acceptor. In United States vs. Bank of Metropolis, 15 Pet. 377, 395, 10 L. Ed.

774, the Supreme Court of the United States held exactly against the acceptor's contention when the words of acceptance were, "Accepted on condition that his contract be complied with." Part of subsequent receipts was applied to extinguishment of prior balances created against the drawer upon the very contract referred to, and this the court found a violation of the acceptance, saying:

"If one purpose making a conditional acceptance only, and commit that acceptance to writing, he should be careful to express the condition therein. He cannot use general terms, and then exempt himself from liability, by relying upon particular facts which have already happened, though they are connected with the condition expressed."

The reasons for the rule there laid down are fully amplified in that decision, which has never been disapproved by that court and has been frequently followed by others. Coffman vs. Campbell, 87 Ill. 98; Seymour vs. Lumber Co., 58 Fed. 958; Posey vs. Denver Bank, 7 Colo. App. 108; Greene vs. Duncan, 37 S. C. 239.

We find nothing in Taylor vs. Parish, 86 Wash. 141, inconsistent with these views, and the judgment of the lower court is affirmed. 155 Pac. Rep. 767.

Certification of Raised Check

New York

Supreme Court, New York, App. Div., First Department, Feb. 11, 1916.

NATIONAL RESERVE BANK OF THE CITY OF NEW YORK VS. CORN EXCHANGE BANK.

Where plaintiff bank's depositor drew a check for $8.12, which was raised by the payee to $1,800.12, and was certified on presentation to plaintiff, and thereafter the payee deposited it in defendant bank, receiving credit for the amount, which he subsequently checked out, the check being returned to plaintiff, which paid the amount thereof to defendant, plaintiff was entitled to recover the amount of the check as money paid by mistake.

Under Negotiable Instruments Law (Consol. Laws, c. 38) section 323, providing that the certification of a check by the drawee bank is an acceptance, and under the general rule of law, a bank certifying a check in the usual form affirms only the genuineness of the drawer's signature, and that he has funds on deposit to meet the check, which funds will not be permitted to be withdrawn to the prejudice of the holder, but does not warrant the genuineness of the body of the check.

ACTION of the National Reserve Bank of the City of New York against Corn Exchange Bank. Judgment for defendant, and motion for new trial denied. Plaintiff appeals. Reversed, and judgment directed in favor of plaintiff.

STATEMENT OF FACT AND OPINION

SCOTT, J.: The action is for money paid under a mistake of fact. On May 13, 1913, the firm of Charles A. Stoneham & Co., which was a depositor in plaintiff bank, drew its check on said bank to the order of Frederick Mullhundred for the sum of $8.12. Mullhundred, by methods known to forgers, altered the check so that it appeared to be for the sum of $1,800.12, and in that condition presented it to plaintiff bank for certification. Plaintiff stamped upon the face of the check its acceptance payable at another bank, this constituting a certification. Mullhundred then opened an account in defendant bank, depositing the raised check, for which he received credit. He subsequently drew out the whole amount. The check was returned to plaintiff bank, which paid the amount thereof to defendant. Upon discovery of the forgery, plaintiff demanded repayment, and, this having been refused, the present action ensued.

It is not questioned that, unless there

be something in the present case to take it out of the general rule, the plaintiff is entitled to recover. As was said in a somewhat similar case:

"The right of a bank, certifying a check erroneously, to bring an action to recover back moneys paid upon the certified check, as moneys paid by mistake, as a general proposition, is not questioned. If there was nothing more of the case than that fact, the plaintiff's right of recovery would be undoubted." Continental Bank vs. Tradesmen's Bank, 173 N. Y. 272-278, 65 N. E. 1108, 1110.

Nor is it claimed that the certification of the check by plaintiff involved, as matter of law, an affirmation or representation that it was in all respects genuine. It is settled by statute, as well as by authority, that a bank in certifying a check in the usual form does no more than to affirm the genuineness of the signature of the drawer, and that he has funds on deposit to meet it, and that the funds will not be permitted to be withdrawn, to the prejudice of the holder of the check. But a bank by its certification does not warrant the genuineness of the body of the check. Negotiable Instruments Law, section 323; Continental Nat. Bank vs. Tradesmen's Bank, supra.

The defendant, not questioning the rules of law above stated, insists that plaintiff was guilty of negligence in not having detected the fact that the check had been raised, when it was presented for certification, and that by reason of such negligence it (the defendant) was misled into accepting the check at its face value. As to this it is sufficient to say that the opportunity for discovering the forgery was as open to the defendant as to the plaintiff, and that, inasmuch as plaintiff's certification did not in law amount to a warranty of the genuineness of the body of the check, the defendant had no right to rely upon it as such a warranty. The cases upon which defendant relies are so clearly distinguishable from the case at bar that it is unnecessary to discuss them.

Plaintiff calls our attention to several errors in the charge, which undoubtedly contributed to the result of the trial, and which would in any case call for a reversal. We do not dwell upon these, however, because we are of opinion that upon the undisputed facts the plaintiff was entitled to the direction of a verdict in its favor.

The judgment and order appealed from are therefore reversed, and judgment directed in favor of the plaintiff for the amount claimed, with costs in this court and the court below. The finding of the jury that the plaintiff was guilty of negligence to the detriment of defendant is reversed. Order filed. All concur. 157 N. Y. Supp. 316.

Application of General Deposit to Loan

Kansas

THE right of a bank to enforce its lien or offset against a general deposit and to apply the deposit to the matured indebtedness of the depositor does not depend upon an express direction or authority of the depositor, where there is no understanding or agreement to the contrary between the depositor and the bank.

There is ordinarily no distinction between the right of a bank to apply a general deposit to a debt due the bank on an overdue note of the depositor and its right to apply such deposit to his overdraft.

Gunn vs. Stockyards State Bank. 155 *Pac. Rep.* 796.

Ultra Vires

Texas

WHERE certain banks and an individual associated themselves to trade in cotton, and insured cotton in which they were to deal against certain perils, agreeing to pay premiums on the 15th day of each month for the preced-

ing month, which agreement was reduced to writing and signed by "West & Co., Assured," the name under which the banks and their partner did business, they were liable on such agreement, since the contract for insurance was separate and apart from the partnership agreement, and was not in itself ultra vires.

Such banks were liable, apart from the question of ultra vires, upon quasi contract for premiums due under the policies.

Dexter vs. First Guaranty State Bank et al. 180 *S. W. Rep.* 1172.

Settlement of Bank Indebtedness

Mississippi

IN a depositor's action, where he claimed that a bank improperly charged his account with a forged check, and the bank claimed it was genuine, an instruction that there could be no recovery if the depositor did not promptly notify the bank of the forgery, so that it might recover against its correspondent, from whom it received the check, is not warranted by the evidence, where the depositor promptly notified the bank and assisted one of its officers in attempting to trace down the forgery, particularly as the bank insisted that the check was signed by the depositor.

Where plaintiff had already instituted an action against a bank, claiming that it had wrongfully charged his account with a check for $900, his receipt of a check for a balance of 65 cents to which he was admittedly entitled, and which the bank sent with a note closing his account on account of the small balance, does not work a settlement defeating his action.

Collins vs. Union and Farmers' Bank. 70 So. Rep. 581.

Trust Funds

Alabama

MONEY collected by a bank for the holder of a note through his forwarding bank and not paid to the forwarding bank by reason of intervening insolvency could not be charged with a specific trust for the holder's benefit on the ground that it was to be found somewhere in the funds of the insolvent bank.

In such case, the holder could not claim an alternative preference under Const. 1901, section 250, providing that holders of bank notes and depositors who have not stipulated for interest shall, in case of insolvency, be entitled to preference in payment over other creditors, since the cashier's check by which the insolvent bank undertook to remit to the holder's bank the money collected for its account, though payable to the holder or his indorsee on demand and not subject to countermand, was not a "bank note," nor a note intended to circulate as money or to become a part of the common currency of the country; nor claim as a depositor not stipulating for interest, as a "depositor," generally, is one who delivers to or leaves with a bank money subject to his order either upon time deposit or subject to check.

Bills, checks, drafts, or other evidences of debt in the ordinary course of business may be accepted and credited by a bank as the equivalent of money, in which case it becomes the owner of the paper, although it has the right to charge dishonored paper back to the depositor instead of proceeding against the maker.

A "cashier's check" issued on request of a depositor is the substantial equivalent of a "certified check," and the deposit represented by the check passes to the credit of the check holder, who is thereafter a depositor to that amount.

Where an insolvent bank passed into the hands of the state banking department, its whole assets became, eo instanti, a trust fund for the equal payment of creditors, subject only to a

preference in favor of the holders of bank notes and depositors who had not stipulated for interest, and the holder of a note forwarded by his bank and collected by the insolvent bank but not remitted by reason of its insolvency could not adopt the unauthorized act of the insolvent bank in converting the collection into its general fund so as to acquire a preference over other creditors.

Sherrill vs. Merchants and Mechanics Trust and Sav. Bank. 70 *So. Rep.* 726.

Conflict of Laws

New York

A CONTRACT of indorsement of a note, made in one state after the making of the note in another, is an independent contract, governed by the law of the state of indorsement, and not the law of the state in which the note was executed.

Whether the indorser on a note, on an independent contract, made in one state after the making of the note in another state, was permanently or temporarily residing in the state of indorsement is irrelevant, since it is the place where the contract was made, and not the residence of the contractor, which governs.

Heidelburger vs. Heidelburger. 155 *N. Y. Supp.* 994.

Negligence in Care of Checks

Kansas

THE officers of a corporation were in a mezzanine room reached by a stairway and occupied by the president, secretary and general manager and the stenographer and telephone operator. When the president was to be away, he signed blank checks and left the check book with the manager, who permitted the book to remain on the top of his desk, as was customary, without instructions respecting its safe-keeping. A traveling salesman in the habit of selling goods to the corporation, in the noon hour, with only the stenographer present, wrote a letter, with permission, at the desk, and he stole checks and put them into circulation. *Held,* that a bank paying the checks, which overdrew the account, was not liable, if considered as a bona fide purchaser of the checks, for the loss, as the corporation was estopped by gross negligence.

S. S. Allen Grocery Co. vs. Bank of Buchanan Co. 182 *S. W. Rep.* 777.

Note Given Under Duress

Iowa

ONE who made a note under duress, ratified it after it was secured from him, and either voluntarily used it himself or allowed it to be used, could not urge the defense of duress in his suit to set aside judgment on the note.

Loos vs. Callendar Sav. Bank. 156 *N. E. Rep.* 712.

Commercial Paper

New York

A TELEGRAPH company which transmitted money by telegraph, for its convenience, would issue to the sendee of money so transmitted a draft drawn on its money transfer department, and directing payment to the order of such sendee of the sum therein named, reciting that this was the sum placed to his credit by the sender, and that the receipt thereof on the conditions under which it had been transmitted was acknowledged by indorsement thereon. The drafts directed that the amount be charged to the account of money transfers, and bore a statement

that it would be cashed by a named bank. *Held,* that these drafts were "commercial paper" within the Negotiable Instruments Act of New Jersey (P. L. 1902, p. 583), and were governed by the rules applicable to that class of instruments.

Postal Telegraph-Cable Co. vs. Citizens' Nat. Bank. 228 *Fed. Rep.* 602.

Forgery

North Dakota

WHERE a check sent by mail is intercepted by a third person and cashed by an intermediary bank with a forged indorsement thereon, the payee may ratify the delivery to the third person, but not the forgery, and may sue such bank in trover for conversion of the check.—

Crisp vs. State Bank of Rolla. 155 *N. W.* 78.

Check Obtained by Fraud

New York

WHERE one obtains property by a common-law larceny, and sells the same to a bona fide purchaser for value without notice of the defect in title, the vendee does not obtain title as against the true owner.

Where a party secured a check from a contracting firm upon the representation that he was to secure bids for certain buildings, when in fact he was never authorized so to do, and misappropriated the checks, the checks were obtained upon false representations, and he was guilty of common-law larceny.

Where a bank prior to presentment of a check has notice that the check was obtained by fraud, the bank is justified in refusing payment of the check.

Where a bank has notice that a check was obtained by fraud, it is required to hold the proceeds thereof for the benefit of the true owner.

Bryant et al. vs. Century Bank of City of New York. 155 *N. Y. Supp* 1010.

Sale of Municipal Bonds

Kansas

WHERE a city offers to sell its municipal bonds "subject to the legality of the issue," and a bank makes a bid thereon, "subject to approval as to legality," both qualifying phrases have the same meaning; and where the city accepts such bid, and the bank repudiates the contract, the legality of the issue becomes a judicial question.

It is not beyond the corporate powers of a national bank to make a valid contract for the purchase of municipal bonds.

Junction City vs. Central Nat. Bank of Junction City. (No. 19661.) 153 *Pac. Rep.* 28.

Forgery

South Carolina

A BANK paying forged checks purporting to be signed by a depositor is liable to the depositor, unless he is guilty of negligence either in discovering the forgery or in notifying the bank within a reasonable time after discovering it.

Hair vs. Winnsboro Bank. 88 *So. East. Rep.* 26.

False Credit Statement

New York

WHERE a depositor, obtaining a loan from his bank, delivered to the bank an instrument purporting to

set forth his assets and liabilities, and providing that in case of his insolvency, or if any of the representations were false, the claims against him might, at the bank's option, become immediately payable, and that the omission to exercise such option should not waive the right to exercise it, the bank might exercise such option against the depositor's administrator, where it did not discover the depositor's insolvency until after his death.

Paoli vs. East River Nat. Bank. 155 *N. Y. Sup.* 245.

Impairment of Capital

Louisiana

WHEN the directors of a bank, in response to a demand of the state bank examiner to make good an impairment of the capital stock, sign and discount their personal note and deposit the proceeds to the credit of the bank, the transaction is a donation or gift to the bank.

The interest which bank directors, as stockholders, have in saving the bank from failure, and their natural obligation to make good an impairment of its capital stock, are sufficient and valid considerations for a promissory note, signed and issued by them individually for that purpose.

Interstate Trust and Banking Co. vs. Irwin. 70 *So. Rep.* 313.

Holder for Value

Louisiana

THE doctrine that a bank that discounts a note and credits the proceeds to the account of the maker is not a holder for value unless the amount is absorbed by an antecedent debt, or until it is withdrawn, can have no application to a case where the proceeds of the discount were credited to the account of some one else with the consent of the maker of the note.

When one who is not the maker of a note tenders to the holder the amount due, expressing his intention and purpose to be to "take up the note and carry it," and requests that the note be not stamped "paid," and the holder thereupon accepts the money and delivers the note uncanceled, without expresing any objection to transferring it, the transaction is a sale of the note. It is of no consequence that the transfereror did not know that the legal definition and effect of the transaction was that of a sale, so long as he understood the facts of the transaction.

Interstate Trust and Banking Co. vs. Irwin. 70 *So. Rep.* 313.

Innocent Purchaser

Arkansas

IN the issue of innocent purchaser, in an action on commercial paper by one to whom it was assigned before maturity, plaintiff has the burden of showing it paid value therefor, and then the burden shifts to defendants to show that plaintiff purchased with notice of defects or such information as would put it on notice.

Evidence that N. was engaged in the business of selling worthless jewelry and in selling the commercial paper representing the purchase price to other concerns, and that the manager of plaintiff, which bought some of such paper given by defendant to N., was familiar with the methods pursued by N., in conducting its business, is sufficient to sustain a finding that plaintiff was not an innocent purchaser.

Metropolitan Discount Co. vs. Fondren. 180 *S. W. Rep.* 975.

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

BANK DEPOSIT GUARANTY

New Orleans, La., May 3, 1916.

Editor, Bankers Magazine:

Sir—Will you please advise me as to what states have laws guaranteeing bank deposits?

Cashier.

Answer.—Oklahoma, Kansas, Nebraska, Mississippi, Texas and South Dakota.

NOTE AS COLLATERAL—PARTIAL PAYMENT

Seattle, Wash., May 19, 1916.

Editor, Bankers Magazine:

Sir—As a subscriber for several years to your valuable banking magazine, we are taking the liberty to write you for some information as to the following, to-wit.:

We have a note dated October 29, 1913, due on demand.

This note was given us as collateral security to another note of June 14, 1914, on which date we took note in question. The maker of the note now refuses to pay the full amount, as he claims to have paid a part of the note before we took it, but there is nothing to show on the note that there ever was anything paid. The question is, are we holders in due course for the full amount of the note, or can we recover only the balance which he claims is due?

Respectfully yours,

Cashier.

Answer.—A negotiable instrument has well been said to be a "carrier without luggage"—that is to say, complete on its face, and the holder need not look beyond the four corners of the instrument to ascertain its character. One who holds in due course must have taken the instrument under the following conditions:

(1) That it is complete and regular.

(2) That he became a holder before it was overdue, and without notice that it had been dishonored.

(3) That he took it in good faith for value.

(4) That at the time it was negotiated to him he had no notice of infirmity in the instrument or defect in the title of the person negotiating it.

Assuming the note in question to have been regular, we next have the question as to the taking before it was overdue. Being a demand note, it must have been presented within a reasonable time after its date to be a continuing obligation. What is a reasonable time will depend upon the peculiar facts of the case. No absolute measure can be fixed. The time has run from a day or two, as in Field vs. Nickerson, 13 Mass. 131; a month, in Ranger vs. Cory, 1 Metc. 369; eight months, American Bank vs. Jennes; three and one-half months, Stevens vs. Brice, 21 Pick. 193. Notes payable on demand have been held overdue and subject to equities as follows: Three months, Herrick vs. Woolverton, 41 N. Y. 581; six months, Thompson vs. Hale, 23 Mass. 259; eight months, Aver vs. Hutchins, 4 Mass. 370; ten months, Morey vs. Wakefield, 41 Vt.; twelve months, Hemmingway vs. Stone, 7 Mass. 58. Whether or not the nine months elapsing in this case would make the paper overdue would depend upon the conditions. You have evidently taken the note in good faith, and having no notice of infirmity, would constitute you a holder in due course. The consideration for this note was the advance made on the other note, and would constitute the value received. Our judgment is that unless there are collateral considerations, you are a holder in due course, having complied with the Negotiable Instruments Law in force in your state. A closer inquiry into the facts might lead the court to rule the note overdue, in which case you would not be a holder in due course, and the note would be subject to equities between the immediate parties. In the authorities consulted, no Washington

cases have been found where the time in which demand notes must be presented has been judicially determined. You would be justified in taking the position that under the Negotiable Instruments Law you are holder in due course, and claim the full amount.

USE OF WORD "SAVINGS" BY NATIONAL BANK

Editor BANKERS MAGAZINE:

SIR: Can a national bank use the word "savings" in conducting a special department for the receipt of time deposits?

NEW YORK BANKER.

Answer—Section 19 of the Federal Reserve Act defines savings accounts as those subject to not less than thirty days' notice of withdrawal. The recognition of this class of accounts in national banks by the specific name "savings accounts" would seem to warrant a national bank conducting such a department and designating it "Savings Department." It is true that the New York statutes prohibit the use of the word "savings" by any institution other than a savings bank or savings and loan association, but the Federal statute is paramount, and in any conflict with the state law the only question that could bring issue is the manner of conducting the department. If the bank holds itself out as a savings bank and so conducts itself as to mislead the public to believe it to be a savings bank, no doubt the state authorities would take issue; but until the matter is judicially determined, which to our knowledge has not been done, there can be no question of the right of a national bank to operate a department for the receipt of time deposits, and designating it by the title "Savings Department." Until the passage of the Federal Reserve Act, there was no warrant, except by the consent of the Comptroller, to accept such deposits, but the Federal Reserve Act specifically recognizes the practice and calls it by its proper name.

No Protest Symbol

MANY banks are now stamping on their checks a symbol indicating that there is to be no protest of the item. In a communication to THE BANKERS MAGAZINE, Mr. F. M. Kenny, cashier of the Olympia National Bank, Olympia, Washington, points out the convenience and utility of this symbol, but at the same time says that its use in some cases may lead to confusion. There are banks that will be guided by the remittance letter containing items, regardless of any statement about protest on the check itself. Mr. Kenny says that a number of banks that are using the no protest symbol seek to obviate this difficulty by sending remittance letters containing these instructions:

"Do not protest items bearing the no protest symbol of our bank or of any previous endorser."

Mr. Kenny suggests that a subsequent endorser has no right or power to waive protest without releasing the prior endorsers where the instrument was a foreign bill. It is also his opinion that where the terms of a check and a cash remittance letter do not agree, the latter governs.

It is Mr. Kenny's belief that the no protest symbol can be made of great usefulness to banks, provided the possible legal tangles in the way of its employment can be straightened out. This he expects may be done after thorough discussion.

Interlocking Directorates Under the Clayton Act

Editor Bankers Magazine:

Sir—Some question appears to have arisen in the minds of bankers and others as to the meaning of the prohibitions of Section 8 of the Clayton Act, which comes into effect on October 15, relative to the question of interlocking directorates. If the purpose of the act as a whole is taken into consideration, the meaning of section 8 will be perfectly clear. The purpose of the act is to prevent combinations of separately controlled capital; as, for instance, the capital of two banks, the capital of a bank and an individual, such as a banker engaged in the same business. The prohibitions are:

(1) No person shall at the same time be a director or other officer or employee of more than one bank, banking association or trust company—organized under the laws of the United States, where the deposits, capital, surplus and undivided profits aggregate more than five million dollars.

(2) No private banker or person who is a director (or other officer or employee) in any bank or trust company organized and operated under the laws of a state, having deposits, capital, surplus, and undivided profits aggregating five million dollars—shall be eligible to be a director in any bank or banking association organized or operated under the laws of the United States.

(3) No bank, banking association, or trust company, organized or operated under the laws of the United States, in any city or incorporated town or village of more than 200,000 inhabitants, shall have as a director or other officer or employee, any private banker or any director or other officer, or employee of any other bank, banking association or trust company located in the same place.

The exceptions are that the prohibitions shall not apply to:

(a) Mutual savings banks having a capital represented by shares.

(b) Banks, banking associations or trust companies where the entire capital stock of one bank, banking association or trust company is owned by any other bank, banking association or trust company.

(c) A director of class A, of a Federal Reserve bank, who is an officer or director of a member bank of a Federal Reserve bank.

In the first clause the prohibition applies to a director or other officer or employee. In the second clause to a director, the words "or other officer or employee" being omitted. That it was the intention the prohibition of clause 2 should extend to other officers or employees, seems to be clear from the following language which appears in the section:

"The eligibility of a director, officer or employee under the foregoing provisions (Clauses 1 and 2) shall be determined by the average amount of deposits, capital, surplus, and undivided profits as shown in the official statements of such bank, banking association, or trust company, filed as provided by law during the fiscal year next preceding the date set for the annual election of directors, and when a director, officer or employee has been elected or selected in accordance with the provisions of this act, it shall be lawful for him to continue as such for one year thereafter under said election or employment."

It has been suggested that under the provisions of Clause 2, an officer or employee of a national bank, but who is not a director of such national bank

(the bank having a capital of at least five million dollars) may serve as a director of a state bank, when such state bank is not a member of the Federal Reserve System, and when the two corporations are not located in the same city having a population of 200,000; and, conversely, an officer or employee of a state bank or trust company, who is not a director thereof, where such state bank or trust company is not a member of the Federal Reserve System, may serve as a director of a national bank, unless the institutions are in the same city of 200,000 inhabitants or over.

It is believed that the suggestion has no force, in view of the language of the section above quoted, which clearly applies to both clause one and clause two. Clause one may be considered as referring wholly to national banks having a capital of five million dollars or over. Clause two, to an inter-relation between national banks and state banks having a capital of five million dollars or over. Clause three, to an inter-relation between national banks and individuals doing a banking or trust business in cities of 200,000 or over.

Expressed in simple language, Section 8 of the Clayton Act forbids interlocking directorates between national or national and state banks, where the capital exceeds five million dollars, and further forbids any private banker or any director or other officer or employee or other banks, banking associations or trust companies from acting as a director in any other bank, banking association or trust company located in a town or city of more than 200,000 inhabitants. Respectfully,

George Hillard Benjamin.

Bank Examiner's Reports Available to Bankers

FOR the past fifty years, by the provisions of the National Bank Act, the national banks of the country have been subject to periodical examinations under the direction of the Comptroller's office, but the reports of the bank examiners have always been regarded as confidential documents, and no portion of the reports has ever been furnished to the examined banks.

The examiners' reports and the criticisms which they have contained have, however, always been the basis for admonitions and instructions from the Comptroller's office, either through letters from the Comptroller or personally and directly by the examiners.

Many banks in the past have asked for copies of these reports, but they have always been refused.

The Comptroller's office has decided to furnish hereafter to each examined bank, after an examination, a report of the bank's condition as made to the Comptroller by the national bank examiners. These reports will set forth clearly and comprehensively the actual conditions of the bank as ascertained from its books and from statements to the examiner by its officers, and from other available sources of information.

In addition to the examiner's main report, a copy of which will be furnished to the bank as above, the examiners will make to the Comptroller's office a supplementary report, containing such confidential data and recommendations as circumstances may require.

Bank Advertising Exchange

Those listed herewith are willing to exchange booklets, folders and other advertising matter issued by them. Subscribers can get on this list free of charge

Watch for New Names and Other Changes

F. R. Adams, Will Co. National Bank, Joliet, Ill.
American National Bank, Richmond, Va.
D. Ansley, care Central Trust Co., San Antonio, Texas.
Carl W. Art, manager publicity department, Union Trust & Savings Bank, Spokane, Wash.
A. F. Bader, publicity manager, City National Bank, Evansville, Ind.
C. W. Bailey, cashier, First National Bank, Clarksville, Tenn.
The Bankers Magazine, New York.
H. C. Berger, Marathon County Bank, Wausau, Wis.
E. L. Bickford, cashier, First National Bank, Napa, Cal.
R. A. Bradham, cashier, The Commercial & Savings Bank, Sumter, S. C.
D. R. Branham, 6252 Leland Way, Los Angeles, Cal.
Jesse E. Brannen, cashier, First National Bank, Westwood, N. J.
Bank of San Rafael, San Rafael, Cal.
E. M. Baugher, president, The Home Building Association Co., Newark, Ohio.
C. W. Beerbower, National Exchange Bank, Roanoke, Va.
H. C. Bollman, assistant cashier, First National Bank, Collinsville, Okla.
T. J. Brooks, cashier, The Guaranty Trust & Savings Bank, Jacksonville, Fla.
J. A. Buchanan, Guaranty Trust Co., Lancaster, Pa.
F. B. Bunch, cashier, Merchants & Farmers Bank, Statesville, N. C.
E. C. Burton, vice-president, Penn. National Bank, Chester, Pa.
Stephen L. Burwell, vice-president, First National Bank, Jackson, Miss.
A. Bush, Jr., Ladd & Bush, bankers, Salem, Oregon.
The Citizens Bank & Trust Co., Tampa, Fla.
Citizens National Bank, Oconto, Wis.
Commercial Bank, Midway, Kentucky.
Allan Conrad, Box 385, Port Huron, Michigan.
B. S. Cooban, 518 W. 62d Street, Chicago, Ill.
H. Reed Copp, assistant advertising manager, Old Colony Trust Co., Boston, Mass.
Arthur S. Cory, Chehalis National Bank, Chehalis, Wash.
David Craig, Tradesmens National Bank, Philadelphia, Pa.
M. Clarence Crowson, cashier, Home Banking Co., High Point, N. C.
Eugene E. Culbreth, Commercial National Bank, Raleigh, N. C.
Bradley Currey, c/o Fourth & First National Bank, Nashville, Tenn.
H. A. Dalby, Naugatuck Savings Bank, Naugatuck, Conn.
Dexter Horton National Bank, Seattle, Wash.
T. R. Durham, assistant cashier, Chattanooga Savings Bank, Chattanooga, Tenn.
W. R. Dysart, assistant cashier, First National Bank, Ripon, Wis.
J. C. Eherspracher, assistant cashier, First National Bank, Shelbyville, Ill.
A. A. Ekirch, secretary, North Side Savings Bank, New York City.
F. W. Ellsworth, publicity manager, Guaranty Trust Co., New York.
The Franklin Society, 38 Park Row, N. Y.
E. W. Finch, assistant cashier, Birmingham Trust & Savings Co., Birmingham, Ala.
First National Bank, Lead, S. D.
H. Gavere, asst. cash. of Scandinavian American Bank, Grand Forks, N. D.
B. P. Gooden, advertising manager, New Netherland Bank, New York.
J. W. Groves, advertising manager, Minnesota Loan & Trust Co., Minneapolis, Minn.
C. F. Hamsher, First National Bank, Los Gatos, Cal.
Victor F. Hann, manager publicity department The Fifth Avenue Bank, New York City.
J. W. Hansen, cashier, Citizens State Bank, Sheboygan, Wis.
D. L. Hardee, publicity manager, Wachovia Bank & Trust Co., Winston-Salem, N. C.
E. A. Hatton, cashier, First National Bank, Del Rio, Texas.
John R. Hill, Barnett National Bank, Jacksonville, Fla.
Jessamine G. Hoagland, publicity manager, National City Bank, Chicago, Ill.
N. M. Hokanson, State Bank of Chicago, Chicago, Ill.
Frank K. Houston, vice-president, Third National Bank, St. Louis, Mo.
L. M. Howard, vice-president, Continental Bank & Trust Co., Shreveport, La.
Indiana Bldg. & Loan Association, South Bend, Ind.
Charles D. Jarvis, c/o Savings Bank of Utica, New York.
W. L. Jenkins, Farmers & Mechanics Trust Co., West Chester, Pa.
Theodore Jessup, Woodlawn Trust & Savings Bank, 1204 E. 63rd Street, Chicago, Ill.
W. P. Jones, assistant cashier, First National Bank of Commerce, Hattiesburg, Miss.
W. R. Kay, Jr., advertising manager, Sacramento Bank, Sacramento, Cal.
C. B. Keller, Jr., assistant cashier, Stroudsburg National Bank, Stroudsburg, Pa.
Grover Keyton, New Farley National Bank, Montgomery, Ala.
M. R. Knauft, cashier, Merchants National Bank, St. Paul, Minn.
A. T. Kahn, vice-president, Commercial National Bank, Shreveport, La.
Henry M. Lester, National City Bank, New Rochelle, N. Y.
A. E. Lindhjem, assistant cashier, Scandinavian American Nat. Bank, Minneapolis, Minn.
L. W. Lovell, assistant cashier, The Lovell State Bank, Monticello, Iowa.
E. G. McWilliam, publicity manager, Security Trust Savings Bank, Los Angeles, Cal.
Ralph H. Mann, Park Trust Co., Worcester, Mass.
Charles S. Marvel, The First-Second Savings & Trust Co., Akron, Ohio.
H. B. Matthews, S. W. Straus & Co., Straus Bldg., Chicago, Ill.
J. H. McDowell, c/o American Trust & Banking Co., Chattanooga, Tenn.
Frank Merrill, advertising manager, The Northwestern National Bank, Minneapolis, Minn.
Will E. Morris, assistant cashier, Farmers & Merchants Bank, Stockton, Cal.
E. R. Mulcock, Commercial National Bank, Syracuse, N. Y.
Northwestern Trust Co., R. P. Sherer, vice-president, St. Paul, Minn.
W. W. Norton, Treas., Robbins Burrall Trust Co., Lakeville, Conn.
Old State National Bank, Evansville, Ind.
J. A. Overton, cashier, The National Bank of Smithtown Branch, Smithtown Branch, N. Y.
R. B. Parrish, cashier, National Bank of Commerce, Williamson, W. Va.
A. E. Potter, president, Broadway National Bank, Nashville, Tenn.
W. W. Potts, treasurer, The Federal Title & Trust Co., Beaver Falls, Pa.
John W. Pratt, Real Estate Officer, The Kennett Trust Co., Kennett Square, Pa.
Wm. J. Ruff, cashier, Luzerne County National Bank, Wilkes-Barre, Pa.
W. W. Russell, cashier, First National Bank, White River Junction, Vt.

George J. Schaller, cashier, Citizens National Bank, Storm Lake, Iowa.
Almot Schlenker, assistant cashier, First National Bank, Brenham, Tex.
Paul T. Schulze, assistant cashier, State Bank of La Crosse, La Crosse, Wis.
E. P. Simpson, Jr., assistant cashier, First National Bank, Toccoa, Ga.
Sioux City Trust & Sav. Bank, Ben W. Frieden, cashier, Sioux City, Iowa.
T. K. Smith, Jr., manager, Gimbel Brothers, Bankers, New York City.
J. G. Spangler, cashier, The Mesa City Bank, Mesa, Ariz.
F. E. Stewart, secretary and treasurer, Commercial Savings Bank & Trust Co., Toledo, Ohio.
T. H. Stoner, cashier, The Peoples National Bank, Waynesboro, Pa.
C. E. Taylor, Jr., president, Wilmington Savings & Trust Co., Wilmington, N. C.
Union Trust Co. of D. C., Washington, D. C.
F. H. Williams, assistant treasurer, Albany City Savings Institution, Albany, N. Y.
John W. Wadden, Lake County Bank, Madison, S. D.
Wessels Van Blarcom, assistant cashier, Second National Bank, Paterson, N. J.
C. C. Willson, c/o Continental & Commercial Trust & Savings Bank, Chicago, Ill.
Frank A. Zimmerman, Chambersburg Trust Co., Chambersburg, Pa.
Paul E. Zimmerman, cashier, Oak Park Trust and Savings Bank, Oak Park, Ill.

NEW NAMES

C. M. Davenport, pub. mgr., Citizens Trust & Savings Bank, Los Angeles, Cal.
A. C. Smith, vice-president, City National Bank, Clinton, Iowa.

National Bank Reserves

THE total reserve held by all national banks on March 7, 1916, was 2,287 million dollars, making a surplus of 993 millions over and above the amount legally required. This exceeds by more than 100 million dollars the greatest surplus reserve ever shown in any previous statement.

Of the above reserve, the national banks in the central reserve cities held 631 millions, or 22.88 per cent. of their deposits, the reserve they are required to hold being eighteen per cent. of demand and five per cent. of time deposits; the national banks in the fifty-two reserve cities held a legal reserve of 693 millions, or 27.84 per cent. of deposits, against a requirement of fifteen per cent. on demand and five per cent. on time deposits; while the country banks, which under the provisions of the Federal Reserve Act need hold only twelve per cent. of demand and five per cent. of time deposits, held on March 7, 1916, a reserve of 27.24 per cent. of all deposits, or 962 million dollars.

The reserve held by national banks October 31, 1914, the time of the last statement prior to the inauguration of the Federal Reserve System, amounted tc 1,559 million dollars, against a required reserve of 1,433 million dollars, making the surplus reserve at that time 126 million dollars. It is thus seen that the surplus reserve of the national banks of the country has increased during the operation of the Federal Reserve System from 126 millions on October 31, 1914, to nearly 1,000 millions at the present time.

It is conservatively estimated that the surplus reserve now held by the national banks would be sufficient to give a further loaning power of 3,000 or 4,000 million dollars, should the growth and development of commerce, agriculture or industry call for so huge an enlargement of credit.

Notwithstanding the Anglo-French loan of 500 millions and the loans made to other foreign powers, amounting to several hundred million dollars additional, in which our banks have to a greater or less extent participated, directly or indirectly, there are no indications of unsound inflation or excessive loans, and the national banks of the country have never been in a stronger position than they are at this time.

Perhaps the most striking feature of this bank statement is the fact that this increase which has taken place in deposits in the past twelve months amounts to more than the sum total of all deposits in all the national banks of the country as late as the year 1896, just twenty years ago. The deposits of national

banks of the United States have, as these figures show, increased since February 28, 1896, over five hundred (500) per cent., against an increase in the number of banks of one hundred per cent.

As indicative of the prosperity of our national banks, attention is called to figures which show that during this same twenty-year period the capital of the national banks increased 413 million dollars, or sixty-three per cent., while their surplus and undivided profits for the same period increased 697 million dollars, or 210 per cent., after distributing over 1,650 million dollars in cash dividends to shareholders.

Comptroller's Curiosity Grows With Every Call

Editor, BANKERS MAGAZINE:

SIR—The Comptroller's thirst for information appears to have no bounds. In the latest forms sent out to national banks for report of condition, he asks for the number of men in each bank who have taken no vacation for five years. Doubtless this is vital and necessary information, but it would seem to indicate that before long bank men will have to give up their vacations altogether in order to assuage the statistical solicitude of our paternal (not to say grand-paternal) government. In 1920 we can imagine a request similar to the following:

"The new forms for the Reports of Condition which have just been sent to national banks to be used in the next call, contain several schedules not heretofore included.

"These embrace an enquiry as to the number of employees having red hair and for a concise statement as to whether it is the prevailing custom for bank officers to part their hair in the middle or on the side. The Comptroller commends the policy of employing only red-headed clerks, as it has been shown by statistics that the number of absconding red-headed clerks is to the number of non-red-headed absconding clerks as is the ratio of 1 to 10. It has also been demonstrated to the Comptroller that the practice of parting the hair in the middle has obvious advantages, as it makes for a more evenly balanced mental attitude.

"It will also be noticed that the new forms require a statement of the number of ink-wells used by national banks and the frequency with which these are cleaned. The Comptroller is of the opinion that clean ink wells make for efficiency in bookkeeping and therefore recommends that they be cleaned at least once a week.

"Banks will also report the number of checks drawn on them for the following sums: $4.37, $45,398.11 and $34,345.72. The Comptroller can't think for the moment of any useful purpose that this information will serve, but it might come in handy some day, and anyhow, it will give the bookkeepers something to do.

"The Comptroller would also like to know how many bank employees eat bacon and eggs for breakfast. The Comptroller eats bacon and eggs for breakfast and likes them very much. He finds that it clears his brain and allows him to think intelligently on banking matters. He recommends the practice to all bank men."

"IRATE SUBSCRIBER."

THE IMPORTERS AND TRADERS NATIONAL BANK, NEW YORK

Official Changes in the Importers and Traders National Bank

THE election of H. H. Powell as president of the Importers and Traders National Bank to succeed Edward Townsend, who has resigned to become chairman of the board, serves to recall to mind the splendid service which both of these men have devoted to this institution.

To some perhaps it has appeared strange that Mr. Townsend, in the prime of life and at the height of his usefulness, should resign his important office. But among those who know him best it is understood that Mr. Townsend's resignation was actuated by no inclination to withdraw from active work, but rather from a desire to see as his successor a man for whom he has always had the greatest affection and esteem. In handing over the office to Mr. Powell, Mr. Townsend felt that the sound traditions and conservative policies which he had always maintained would be carefully carried on and preserved. As a matter of fact, Mr. Townsend has not resigned from active participation in the bank's affairs, but will devote his time to the executive and advisory duties of his new office.

Edward Townsend has been connected with the Importers and Traders since 1866, at which time he entered the bank's service as a junior clerk. In 1873 he became assistant cashier and cashier in 1880. On the death of Edward H. Perkins, Jr., president at that time, Mr. Townsend was on April 18, 1902, unanimously elected as his successor. In April, 1916, the fiftieth anniversary of his first connection with the bank, Mr. Townsend resigned the presidency to become chairman of the board, a newly created office.

[A portrait of Mr. Townsend appears as a frontispiece in this number of THE BANKERS MAGAZINE.]

H. H. Powell began like Mr. Townsend as a junior clerk, his identification with the bank dating from 1875. In 1893 he was chosen assistant cashier and in 1902 became cashier. In April, 1916, Mr. Powell was elected president to succeed Mr. Townsend. During his more than forty years of service Mr. Powell has shown himself to be a capable bank officer, and by his courtesy and experience has helped to establish the Importers and Traders still more firmly in the estimation of the bank's extensive clientele.

H. H. POWELL

RECENTLY ELECTED PRESIDENT OF THE IMPORTERS AND TRADERS NATIONAL BANK OF NEW YORK TO SUCCEED EDWARD TOWNSEND

Mr. Powell is succeeded as cashier

by E. P. Townsend, a son of Edward Townsend, who has been an assistant cashier since April 8, 1913. Mr. Townsend, Jr., is a graduate of Yale in the class of 1903. He is well known and highly regarded among the younger New York bankers, and his very commendable record thus far would seem

E. P. TOWNSEND
RECENTLY ELECTED CASHIER OF THE IMPORTERS AND TRADERS NATIONAL BANK OF NEW YORK

to indicate that he will follow in the footsteps of his distinguished father.

The Importers and Traders, which is now in its sixty-first year, was organized as a state bank August 1, 1855, and later entered the national banking system. From the start the management has been guided by the soundest principles of commercial banking, and it has established a reputation that will bear comparison with any bank in the United States. Although the volume of assets has grown steadily there has been no straining after mere bigness, and yet the Importers and Traders ranks among the largest and soundest banks in New York. It has attained to its present proportions entirely by prudent and skilful management.

It has always been the policy of the Importers and Traders to keep clear of investment banking, preferring to loan its resources to its correspondents and dealers and to mercantile borrowers, rather than to make investments thereof for its own account.

In August, 1908, this institution moved into its new building at No. 247 Broadway. This structure forms an interesting type of bank construction and has attracted a great deal of interest both among bankers and architects. Custom was ignored by the architect, and instead of housing all the employees in one vast room, the various departments were placed on separate floors and were connected by double elevators for the use of customers. By this plan the conduct of business was greatly simplified and the amount of floor space to each department was materially increased. The bank occupies the entire six floors of this building. In harmony of arrangement and decoration and in adaptability to the end which it was designed to serve, the banking rooms of this institution are not excelled by any bank in New York.

The conservative character of the management is further attested by the following strong board of directors: Edward Townsend, chairman; Charles F. Bassett, of Bassett & Sutphin, paper; Isaac D. Fletcher, chairman, American Coal Products Co.; Henry R. Ickelheimer of Heidelbach, Ickelheimer & Co., bankers; William A. Jamison, of Arbuckle Brothers, coffee; James W. Lane, of J. H. Lane & Co., cotton commission merchants; Adolph Lewisohn, capitalist; H. H. Powell, president; Henry Spadone, president Gutta Percha & Rubber Manufacturing Co.; Edward Van Volkenburgh, formerly of P. Van Volkenburgh & Co., dry goods; John J. Walton, of Hunter, Walton & Co., produce.

An idea of the condition of the bank may be gained from the following statement, taken from the books on January 3, 1916:

RESOURCES

Discounts		$26,246,989.97
United States bonds, at par		51,000.00
Real estate		700,000.00
Demand loans	$6,676,031.75	
Due from banks	1,393,379.24	
Checks on other banks	2,447,591.48	
Specie and United States notes	4,168,672.83	
Due from Federal Reserve Bank	2,425,886.42	
		$17,111,561.72
		$44,109,551.69

LIABILITIES

Capital	$1,500,000.00	
Surplus	6,000,000.00	
Undivided profits, after paying 119th dividend, Jan. 3, 1916, $180,000.00		1,552,484.77
Circulation		50,000.00
Deposits		$35,007,066.92
		$44,109,551.69

Executive Council of the A. B. A. Meets at Briarcliff

THE spring meeting of the executive council, American Bankers Association, was held at Briarcliff Lodge, N. Y., May 8, 9 and 10. Unusual interest was derived from the fact that the meeting followed a few days after the issuance by the Federal Reserve Board of its circular setting forth the details of its plan for the clearing and collection of checks by the Federal Reserve banks. The introduction of a resolution on this topic precipitated a spirited discussion on the whole subject of check collections and charges, which was finally ended by the appointment of a committee of five, charged with the duty of carrying to the Federal Reserve Board a request that the proposed plan be deferred until such time as the views of the country bankers could be laid before the board and the plan modified to meet their objections.

This committee of five consists of W. H. Bucholz, vice-president Omaha Nationl Bank, Omaha, Neb.; J. Elwood Cox, president Commercial National Bank, High Point, N. C., and chairman executive committee, National Bank Section; John McHugh, vice-president Mechanics and Metals National Bank, New York, and chairman executive committee, clearing House Section; George E. Webb, president First National Bank, San Angelo, Tex., and Walker Broach, vice-president First National Bank, Meridian, Miss.

In the event that this committee is unable to accomplish any of the objects desired, it is to report back to the joint executive committees of the National Bank and Clearing House Sections for such further action as the latter may see fit.

Governor Benjamin Strong, Jr., of the Federal Reserve Bank of New York, arrived at Briarcliff Lodge during the time that the matter was under discussion, and he was accordingly invited to attend the sessions. Governor Strong gave a long talk outlining the position of the Federal Reserve Board and the difficulties encountered in try-

ing to comply with the mandatory provisions of the Reserve Act for the exercise of clearing functions by the reserve banks. The hardest problem, he stated, was that of the "float" or aggregate of uncollected checks in transit, which he said was fairly constant at about $300,000,000 a month. He pointed out that as a matter of practice, country banks have been receiving from their correspondents immediate credit on checks deposited for collection; a practice which in effect meant the purchase of that amount of checks by the correspondent banks; and that to expect the twelve Federal reserve banks, with their $55,000,000 capital, to give member banks the same service as the latter have been giving their country banks, involving the purchase of $300,000,000 worth of checks monthly, is asking the impossible.

The chief social features of the meeting were a musicale Monday afternoon at Beechwood, the home of Frank A. Vanderlip, president of the National City Bank of New York, and a banquet Tuesday evening, tendered by Briarcliff Lodge.

The Evolution of a Bond Issue

AT the annual banquet of Baltimore Chapter of the American Institute of Banking, Lewis B. Franklin, vice-president of the Guaranty Trust Company of New York, and president of the Investment Bankers' Association of America, spoke on "The Evolution of a Bond Issue."

Mr. Franklin said in part:

"The commercial banker is more or less familiar with the finished product offered by the investment banker, but of its manufacture and preparation for sale he has little knowledge. Modern business is complex and is for the most part conducted in large units. On account of its complexity its financing requires the utmost care in order that both the issuing company and the investing public may be adequately protected.

"Years ago a large part of our business enterprises were conducted as private ventures and financed by individual wealth, but the enormous industrial growth of the past generation has brought about an enforced decentralization of control and an appeal to the general public for the needed capital.

"With this growth has come an ever increasing supervision of business on the part of both state and Federal governments and a complexity of laws and supervising commissions. Franchises once to be had in perpetuity for the asking are now only obtainable for limited periods and under stringent regulations.

"With these changes in business has come about a change in the relationship between the investor and his banker. Instead of being a mere broker executing orders, the investment banker now occupies the position of confidential advisor to his customer and assumes large moral responsibility in making representations with regard to securities.

"The chief reason for this increased responsibility is the increased complexity of business of which I have already spoken. While a buyer is competent to judge of the value of a small mortgage on a piece of property adjoining his home, how can he be expected to have a sound opinion on a bond secured by a mortgage on a hydro electric property in Colorado? He must look to the banker for information and even rely on his judgment as to the value based on this information.

"The preparation of securities for the market now requires the employment of the best of talent in the engineering, legal and accounting professions, and

sound judgment on the part of the banker in the interpretation of the reports of these experts.

"To-day, as never before, is provision being made for the future capital requirements of corporations by means of flexible mortgages, sale of junior securities and building up of properties through the use of surplus earnings. It has become axiomatic that no financial arrangement is good for the banker or the investor that does not at the same time safeguard the interests of the issuing corporation.

"The complexities of selling securities have also been multiplied. Bonds are issued in such large blocks that no one investment banker, however powerful, can distribute the entire amount alone and from the necessity of co-operation has developed the bond syndicate. With its members covering every part of the country where investors are to be found, its direction and management are anything but simple.

"It would be not fair to leave this subject of bond selling without paying a tribute to the rapid advancement in the proper training of salesmen to this work. Starting late in the race our profession has awakened to the need of thorough education in salesmanship in order to produce effective results, and in the past few years the progress has been rapid.

"We have had severe lessons in the losses resulting from inexperience, lack of foresight and hasty judgment, and I do not hesitate to say that never before has so much study been devoted to the safeguarding of our investors and the adequate financing of our corporations.

"We are now being called upon to solve new problems resulting from new business conditions created by the war and from our unique position in the financial world, and it is imperative that the utmost care be used in making our decisions in order that this position be not jeopardized."

The Financial Advertisers Association

DURING the convention of the Associated Advertising Clubs of the World, to be held in Philadelphia this month, there will be a meeting of the Financial Advertisers Association, which was organized at the Chicago convention last year.

The Financial Advertisers Association is a department of the Associated Advertising Clubs of the World, and its membership is made up of men connected with banks, trust companies and investment banking institutions. Its object is to develop the best in financial advertising and to bring the financial advertisers of the United States into closer relationship. It is proposed to send to each member specimens of the best booklets, pamphlets and newspaper advertisements relating to bank and financial advertising.

A number of representative banks, trust companies and investment bankers in various parts of the country have already joined the association, and it is expected that there will be a good attendance at the Philadelphia meeting and a lively discussion of many features of this important branch of advertising.

Officers of the Financial Advertisers Association are: President, John Ring, Jr., Mercantile Trust Co., St. Louis; first vice-president, R. Reed Copp, Old Colony Trust Co., Boston; second vice-president, G. W. Cooke, First National Bank, Chicago; third vice-president, W. R. Morehouse, German-American Trust and Savings Bank, Los Angeles; secretary, H. C. Swartz, Cleveland Trust Co.; treasurer, H. M. Morgan, American Trust Co., St. Louis; directors, John Clark Sims, Philadelphia Trust Co., Philadelphia; N. B. Jackson, Cumberland Valley National Bank, Nashville; H. B. Matthews, S. W. Straus & Co., Chicago.

Association of Reserve City Bankers

Annual Convention at Detroit

THE fourth annual convention of the Association of Reserve City Bankers met at the Hotel Statler, Detroit, May 11 and 12.

E. B. Clare-Avery of the Merchants National Bank, president of the association, presided. Emory W. Clark, president of the First and Old Detroit National Bank, welcomed the visiting bankers to Detroit. President Clare-Avery, in his annual address reviewed the association's work during the past year, and told of some of the interesting practical problems now confronting the reserve city bankers.

Richard S. Hawes, vice-president of the Third National Bank of St. Louis, and O. Howard Wolfe, assistant cashier of the Philadelphia National Bank, made addresses on "Country Clearing-House Department of Clearing-House Associations." Both these gentlemen possess special knowledge of this important subject, and what they had to say was listened to with earnest attention by the large number of bankers in attendance. Their subject was one in which the reserve city bankers are deeply concerned, because upon them falls so large a share of handling the collections of the country, and for the further reason that at present the matter is made of even more pressing importance through the relations with the banks arising through the Federal Reserve System.

"Trade Acceptances" was the theme of a practical address by J. Howard Ardrey, vice-president of the National Bank of Commerce in New York. Mr. Ardrey described the new methods of doing business made possible by the Federal Reserve Act. He pointed out that the new commercial paper required for the Federal Reserve Banks was not to be created by the banks, but must be produced by the business interests of the country. He said, however, that banks could do a great deal by calling the attention of their customers to the new and important features of the act.

W. S. Kies, vice-president of the National City Bank of New York, spoke on "Bank Expansion Through Foreign Branches Under the Federal Reserve Act." He pointed out very clearly the advantages to our commerce that would follow the establishment of branches of American banks in foreign countries. He showed how British and German trade had been thus aided in South America.

S. Roger Mitchell, of Warwick, Mitchell, Peat & Co., spoke on "Audits," and F. L. Appleby, manager foreign exchange department of the Union Bank of Canada, Toronto, made an interesting address on "Foreign Exchange." Addresses on "Interest on Balances and Its Regulation by Open Market Rate," were made by Robert F. Maddox, vice-president American National Bank, Atlanta, Ga., and James M. Hurst, vice-president National Bank of the Republic, Chicago.

At the fourth annual dinner and banquet on the evening of May 12. Former President William H. Taft was the principal speaker.

On the previous evening the members of the association were entertained at the Detroit Athletic Club.

Just prior to adjournment of the meeting, which was one of unusual interest and enjoyment, these officers were chosen:

President, Percy H. Johnston, vice-president Citizens National Bank, Lou-

isville, Ky.; vice-president, James Ringold, cashier United States National Bank, Denver, Colo.; secretary, Herbert H. Owens, vice-president Drovers and Mechanics National Bank, Baltimore; treasurer, H. J. Haas, assistant cashier First National Bank, Philadelphia, Pa.

Directors: A. Breton, vice-president Guaranty Trust Co., New York; Thos. Hildt, vice-president Astor Trust Co., New York; James R. Leavell, assistant cashier Mechanics and American National Bank, St. Louis; H. S. Rossell, assistant cashier Merchants National Bank, Richmond; E. A. Seiter, vice-president Fifth-Third National Bank, Cincinnati; O. Howard Wolfe, assistant cashier Philadelphia National Bank, Philadelphia; Geo. B. Smith, assistant cashier Continental and Commercial National Bank, Chicago; E. J. Hughes, vice-president First National Bank, Milwaukee; K. H. Woodward, assistant cashier Colorado National Bank, Denver.

What Does an Accountant's Certified Statement Represent? What Value Should be Given it by a Banker in Connection With the Extension of Credit?

Address delivered by S. ROGER MITCHELL, C. P. A., before the Convention of the Association of Reserve City Bankers, held at Detroit, May 11, 1916.

CERTIFIED statements of condition, the subject about which I have been asked to address you, is one that is receiving increasing attention from bankers who have to extend credit to their customers. I propose to treat it, therefore, mainly from the banker's viewpoint, and not from that of the investor, and to confine my remarks principally to the accounts of a general trading or manufacturing company.

An investor is interested in all the assets, both fixed and current, and in the stability and earning power of a company over a series of years, whereas a banker, who is considering only the question of a more or less temporary loan, is interested more particularly in the current assets and in their relation to the amount of the current liabilities. The fixed assets he looks upon more as a reserve to fall back upon should a company have to go into liquidation on account of being unable to meet its liabilities.

Of course, the banker also is interested in the earning power of the borrower, but so long as he considers that the business is in a liquid condition and is likely to remain so, he does not concern himself usually to any great extent as to the exact amount of dividends that it may be earning.

In the granting of credit the current assets and liabilities, being the dominating considerations in the banker's mind, it is about them especially that he desires to have correct, unbiased and intelligent information. For this information he looks naturally to the report of the accountant who has examined the books of the borrower. I propose, therefore, to state what such a report really represents and what value, in my opinion, should be given to it by the banker. The clearest way to show the former is, I think, to state the general procedure followed by an accountant in auditing a balance-sheet. I will assume that it is taken for granted that, in the first place, he satisfies himself by careful checking as to the clerical correctness of the books and, therefore, will confine my remarks to the special verifications he should make of the different items comprising the balance-sheet.

The balance-sheet should be so arranged as to give the banker the information for which he is looking, in as clear and concise a manner as possible. The generally recognized form is, first, to set out the current assets with their total; second, such assets as may not be intended for early realization, but which could be turned into cash in a reasonable time if needed, such as investments, loans, etc.; third, the fixed assets with their total. A fourth division usually is required to cover nominal assets, such as deferred charges to operations, including unexpired insurance, interest, etc., also bond discount and goodwill.

Current assets usually are arranged in the order of their collectibility, as follows:

Cash,
Notes and accounts receivable,
Merchandise.

Cash: The cash on hand is counted and each bank shown by the records as having an account with the company is communicated with and requested to furnish a statement of the amount of the balance on deposit with it, as at the date of the balance-sheet. The amounts of such certificates are reconciled with the amount shown on the books, allowance being made for outstanding checks, etc.

Notes Receivable: The notes receivable on hand are inspected and verifications received from bankers or others who may be holding those that are out for collection or under discount. A general investigation is made as to the collectibility of all the notes, special investigations being made in regard to those that are overdue or are renewals. Should it be considered that any of them will not be paid in full, a reserve should be set up to cover the probable loss.

A discussion often arises with a client as to the propriety of showing on the balance-sheet the amount of notes receivable that he may have discounted with his bankers. Some seem to think that once a note is discounted it is as good as paid. They cannot understand, therefore, why it is considered necessary to make a notation on the balance-sheet, stating the contingent liability in respect to such notes. As the mere fact of notes being discounted does not change their status in any way, it would be really more correct to show them along with the other notes on hand and set up a liability on the other side to represent the amount advanced by the bankers in regard to them. It has long, however, been the custom to simply state the amount of the notes under discount in memorandum form on the balance-sheet, so it might be difficult now to introduce a change.

Accounts Receivable: The best way to prove the existence of an account receivable is to communicate with the debtor and get an acknowledgment from him in regard to it. In very few cases, however, do accountants get the opportunity to make this proof. The two principal objections by a client to having such a check made are the expense, and the fear that, through the issue of the necessary circular letters, the publicity given to the fact that an audit is being made might lead to the suspicion that the affairs of the company were not as sound as they should

be. I am glad to say that as audits now are getting so general the latter reason is fast losing force. The first one given, however, always seem to be very potent to the client's mind. Being denied this proof, the only other verification left to the accountant is to see that the subsidiary book records correspond to the total of the accounts receivable, as shown by the controlling accounts of the general ledger. Once the total is proved in this manner, the accounts should be carefully scrutinized and all those overdue should be taken up with the credit man or general manager and a request made for explanations as to the reasons for the delay in the settlement of the account and for any general information he may have in regard to the standing and credit of the debtor in arrear. A general examination also should be made of such accounts, to find out how they have been settled in the past, if they have been in the habit of being in arrear and whether the amount in arrear is increasing or decreasing. Where possible, it is well to have all the accounts tabulated, showing the different degrees of arrearage, how much three months, how much six months, how much a year or more overdue, the overdue dates being taken from the expiry of the usual terms of credit given in the business. Based on the facts and information so obtained, the accountant must decide what would be a fair amount to set up as a reserve against probable loss on all the doubtful accounts, taking into account any credit insurance carried. In addition to a provision for doubtful accounts, all amounts that are known to be bad should be written off entirely. All accounts of unusual amount should also be investigated.

It should be remembered, however, by bankers that an accountant, in making his estimates as to the collectibility of accounts receivable, is necessarily limited to the sources of information that I have mentioned and, therefore, that such estimates should be judged accordingly. It is usually a somewhat difficult matter to persuade a client to set up a sufficient reserve for his overdue accounts and a good deal of firmness and tact often are required to bring him to a reasonable frame of mind. Human nature usually tends to optimism in such matters and also towards the desire to make as good a showing as possible.

Should the outstanding accounts be subject to trade discount, a deduction should be made in order to bring them to a net basis. The question of allowing for cash discounts is one that is still open to discussion. I think the general feeling is that they should be deducted, as well as the trade discounts. There are still, however, a number who claim that, as taking the cash discount is voluntary, it should not be regarded when arriving at the net amount of the accounts receivable as at any fixed date. This claim is, perhaps, reasonable when it is applied to discounts that unmistakably represent the value of money paid before it is due. In certain trades, however, it is the custom to give discounts of three or four per cent. for prompt payment. Such allowances, I think, should be treated the same as if they were trade discounts.

THE foregoing remarks apply principally to trade accounts, and the total of such accounts should be shown separately on the balance-sheet. Accounts representing goods sold on the installment plan or on any other special terms should be set up as a special item, as also accounts due from subsidiary or controlled companies and amounts due from directors, stockholders or others. If it is not expected, however, that the latter accounts will be paid within a reasonably short period, they should not be included with the other current items, but should be included with the less liquid assets such as investments, etc., or if they are of doubtful collectibility, with the deferred items.

Should any accounts receivable have been pledged, a notation should be made of the fact.

Inventories of Merchandise and Supplies: As the inventories of merchandise and supplies usually are taken before the accountant commences his audit, it is seldom that he has the opportunity of verifying the quantities set forth in the inventories. Occasionally he may get a special engagement to supervise the taking of an inventory, but such engagements are few and far between. As a rule, therefore, he must rely upon the company's staff for the correctness of the quantities on the inventory, although if any especially large items are included, such should be the subject of special investigation. He should insist on seeing the original inventory sheets and should endeavor to have each page signed by the various clerks who took the quantities, set the prices and made the extensions. In addition, he should call for a certificate from the manager or from the heads of departments certifying that, in their opinion, the inventory in every particular is correctly stated, that the prices do not exceed net cost, or when the market purchase price of the material has declined, or if the goods are obsolete and inactive, that adequate deductions have been made in the prices. The accountant, of course, also should check the prices of the raw material and merchandise still on hand in the condition in which it was purchased, by comparing them, as far as possible, with the original purchase invoices. For the prices of finished and partly manufactured goods, he must depend upon the cost accounting records. These records should be scrutinized and tests made to see if they are kept on a fair basis, with not more than appropriate allowances for overhead charges. The extensions of all the sheets and the footings should be thoroughly tested or verified. Where possible, it is advisable to show separate amounts for finished goods, work in progress, raw material and supplies.

The general assumption as regards an inventory is that the quantities are based on actual count, weight or measurement and that the prices are net cost, or if the value has depreciated since the goods have been purchased, that due allowance has been made for such shrinkage. If, therefore, any other basis has been used, it should be stated clearly on the face of the balance-sheet or in the accountant's certificate.

THE foregoing is a brief outline of what I think are the accountant's principal duties in connection with the verification of inventories. He is not a valuer and his certificate in this respect does not mean more than that he has used all due diligence, as an accountant, to verify the inventories according to the records on file and the information available in the client's office. Should no inventory have been taken and the quantities be based on book records or estimates, he should state this fact in his certificate.

If any goods have been pledged, it should be so noted on the balance-sheet. A special investigation also should be made to see that all goods included in the inventory have been paid for or a liability taken up on the books in regard to them, as also that no goods are included that have been charged on the books as sold, but not yet delivered. Goods on consignment from others should not be included, unless a corresponding liability in regard to them has been set up on the books. It is a custom in some trades to exclude from the inventory goods which have been received but which have been forward-dated by the seller. When such is the case, a notation should be made by the accountant. Also a reference should be made to any unusually large amounts of goods that may be in transit at the date of the balance-sheet and which have not been taken up in the accounts.

Semi-Liquid Assets: As I have already stated, occasionally there are assets held by business companies that are not primarily intended for realization but which, if necessary, might be turned into cash more or less quickly. This class of assets includes real estate not used in the conduct of the business, investments, life insurance policies, etc.

Their existence should be verified and investigation be made as to their realizable value. The life insurance policies should be entered at their cash surrender value. Should any stock exchange securities be held that are readily salable on the market, it might be permissible to include them amongst the current items.

Fixed Assets: As a rule it is a somewhat difficult matter to ascertain the proper valuation of the fixed assets. Should a recent appraisal have been made, this can be used, but otherwise it is necessary to go back to the date of a former appraisal or to the date when the plant was started and examine the vouchers for all the expenditures charged to plant accounts from these dates and, in addition, see that proper deductions have been made for depreciation. As in many cases, however, the accountant is engaged only to report on the condition of a company as at the end of its fiscal year, or at most to examine the accounts for one year back, he is debarred from such a full investigation. In such a case he is reduced to stating on the balance-sheet that the fixed assets are entered at "book value," which notation is meant to warn all bankers and others who may be interested that they should not accept the values stated without further investigation. Valuations placed upon patterns, drawings, etc., should be shown as a separate item, as also fixtures in leased premises and rapidly depreciating assets, such as horses, wagons, etc.

Deferred Debit Items: These consist usually of expenses incurred, the full benefit of which has not yet been received, such as the unexpired proportions of insurance premiums, taxes, interest, etc. On the basis of going concern values, it is proper to include these in a balance-sheet but, in the case of liquidation, they are of little or no value. Operating expenses, including advertising, etc., the benefit from which will not accrue until after the date of the balance-sheet, are also sometimes included with the other items mentioned. Careful examination of the amounts making up this item should be made by the accountant, as the carrying forward of an undue proportion of such expenditures erroneously increases the surplus account. Bond discount has, of course, no intrinsic value, but it is often temporarily capitalized and written off in annual installments.

The term "goodwill" is too often, I am afraid, a misnomer. If it does represent extraordinary earning capacity, it may be a valuable asset, but not a realizable one, unless the business should be sold. Too often, however, it is inserted in a balance-sheet to represent, at the formation of a company, simply the difference between its tangible assets and liabilities.

COMING now to the liabilities:

Bonds: The amount of any mortgages or mortgage or debenture bonds outstanding should be verified by application to the holders or to the trustees. If any amounts are falling due at an early date, this fact should be shown on the balance-sheet. In the case of debenture bonds, if they cover any of the current assets of the company, a notation should be made to that effect. Inquiry should be made to find out if all sinking fund provisions have been fulfilled.

Notes and Accounts Payable: All notes payable issued for cash should be verified by direct communication with the payees. Even although the books may show that some of the bankers, with whom the company is in the habit of doing business, do not hold any notes as at the date of the balance-sheet, it is well also to send them a communication in order to confirm this fact. Should any accommodation paper have been issued, it should be so described, as also the corresponding notes receivable on the other side of the balance sheet.

The current accounts payable should be verified by an examination or test of the subsidiary ledgers and a special investigation made to see that all recent purchases or expenses incurred

have been recorded. Where time is permitted the items comprising the unpaid balances should be compared with the respective invoices, so as to insure that no clerical errors have been made in entering them on the books.

A liability should be set up for rent, interest, taxes, etc., accrued but not due.

Notes or open accounts due to subsidiaries should be shown as a separate item, as also loans from officers, stockholders or others.

If security has been given for any of the notes or accounts payable, it should be so stated.

It is impossible for an accountant to make himself absolutely sure that all liabilities have been entered on the books, as it is possible for some of the officers to have incurred liabilities on behalf of the company and failed, either purposely or through inadvertence, to have them recorded. All he can do is to make as thorough an investigation as is possible of the material at hand. Should be encounter anything suspicious in the accounts or in the conduct of the business or of its officers, he should be doubly on his guard in this respect. It is advisable always to get a statement signed by the principal officers, certifying that all liabilities incurred on behalf of the company have been recorded on the books or else disclosed to the auditors.

The minute books should be examined in order to see if any commitments have been made that have not been given effect to in the financial books and if any other resolutions have been passed that affect the accounts.

Capital Stock: Capital stock issues outstanding should be verified by an examination of the stock ledgers and, if necessary, the certificate books, or if there be a registrar by obtaining from him a certificate as to the amounts outstanding. If any dividends have been declared and not paid as at the date of the balance-sheet, they should be set up as a liability. If the company has cumulative preferred stock any arrears of dividends on it also should be shown as a liability, or a notation made in regard to them.

Special and Contingent Liabilities: In some businesses goods are sold with a guarantee that all imperfect parts will be replaced within a certain time, or that if a certain quantity is purchased within a stated period a rebate in price will be given. In such cases a reserve should be set up, the amount being based upon previous experience.

An investigation should be made to ascertain if any lawsuits are outstanding against the company or if any claims for damages or accidents are unsettled. If there are any such suits or claims that are not fully covered by insurance policies, a liability should be set up to represent the amount for which it is estimated they will be settled.

If the company has endorsed any paper or given other guarantees, the contingent liability in regard thereto should be stated.

THE assets and liabilities I have discussed are those that occur in the average business. In some businesses there are special conditions which create special assets and liabilities. For instance, in the automobile business it is the custom, when shipping cars, to draw a draft with the bill of lading attached and discount it with bankers. All such drafts outstanding at the date of the balance-sheet should be set up as accounts receivable, with a corresponding liability for the amount advanced on them by the bankers, or if this be not done then a notation should be made stating the amount as a contingent liability, in the same manner as for notes receivable discounted.

IN the above remarks, I have endeavored to indicate the general procedure of an experienced auditor in connection with the verification of the accounts of a company. Unless he should

carefully investigate all the points I have mentioned, he could not pass a conscientious opinion as to the correctness of its balance-sheet.

Comparatively few of the certified statements issued by companies for the special information of their bankers include a statement of their earnings. I think that bankers should be more insistent that such statements be included with the balance-sheet and be covered by the accountant's certificate, or at least that a summary of the changes in the surplus account for the past year be shown on the face of the balance-sheet. Such a summary should show the balance for the previous year's accounts, adjustments made in such balance, the net earnings for the year, any special additions, and the amount of dividends or other deductions. Occasionally, a company may have increased its surplus through the sale of investments at a profit or by writing up their book value, although still unsold. In such a case, if particulars are not given, it might be assumed, erroneously, that the total increase between the amount of the current and the previous year's surplus had arisen entirely from earnings from operations. Even although an accountant has not been engaged by his client to make a full audit of the transactions of the fiscal year, he can readily make a general verification of the income account, sufficient to satisfy him that it is correctly stated. Should therefore bankers insist that their customers give them this additional certified information, it can be obtained without much additional expense.

NOW as to the value that should be placed by a banker on a certified balance-sheet.

As I have endeavored to show, an auditor is limited, in following out his investigations, to the material available at the offices of his client or obtainable from those with whom the latter has dealings. No doubt an accountant who has had wide experience can draw, as a rule, more valuable deductions from such material than a less experienced one may be able to to; still, the certificate of even the most skilled auditor should not be considered as a policy of insurance. The word "certificate" in this connection, I think, is rather an unfortunate misnomer. It might be better, I think, for the condensed report appended by an accountant to a balance-sheet, to be described as the "auditor's statement" and for him, instead of stating that he "certifies" to the correctness of the condition as set forth by the figures in the balance-sheet, to state somewhat as follows:

"I have made an examination of the accounts of the Blank Company as at blank date, and, in my opinion, the above balance-sheet, which is in accordance with the books, correctly presents its financial position as at that date and the changes in its surplus account for its last fiscal year."

I think that, if such language were used, it might tend to have it more clearly understood that the report of the auditor as to the condition revealed by the accounts is simply an expression of his expert opinion, based on the investigations he has made, and, therefore, must not be accepted as absolutely final in every respect.

A report always should be carefully read by a banker in order to see whether there are any qualifications contained in it as to the correctness of the balance-sheet. Accountants have no power to make a client change his accounts. If they are grossly misstated, of course, he should refuse to give any report whatever on them. Occasionally, however, there are matters that an accountant considers wrongly treated by a client but which do not seriously affect the general condition. In such a case he accepts what is right and states in his report what he considers to be wrong. Sometimes, also, there are conditions about which there may be honest differences of opinion between an accountant and his client, or on which an accountant does not feel that he has sufficient information to found an opinion.

In cases of this kind he should word his report accordingly and leave it to those interested to form their own opinion.

The mere fact of seeing the name of a well-known auditor at the foot of a balance-sheet is sometimes apt to be accepted by a banker as an assurance that everything is all right, whereas if he studied the report he might find that there were important notations in it that affected the accounts to a considerable extent. The report of a well-known auditor, therefore, should be even more carefully read than that of a less experienced one.

IN the granting of credit, an accountant's report or certificate, of course, is only one of the considerations that are taken into account by the banker. The personality of the borower, his previous record with the bank, his standing in the trade, etc., are all considerations to which weight must be given. The accounts of a company may be all right and yet a banker may have information from other sources which would make him decide that it was not worthy of credit.

It is the custom of some accountants, in addition to the condensed report they affix to the foot of the balance-sheet, to prepare a fuller report, setting forth in detail the various verifications that they have made and submitting such comments as they consider it advisable to make in regard to the more important items. These reports are prepared usually for the confidential information of the client, but should a banker feel that the balance-sheet submitted to him does not give him the full information in regard to the accounts that he would like to have, he should call upon the company to submit to him a copy of the full report of the accountant.

MORE scientific production, larger output, better service, these are the watchwords by which American industry cannot only win a leading position in world trade, but establish more satisfactory conditions at home—

GEO. E. ROBERTS

Book Reviews

AMERICAN BANKING. By H. Parker Willis, Ph.D. Chicago: LaSalle Extension University. (Price, $2, postpaid.)

THIS treatise begins by describing the general functions of banks, and giving a working definition of credit. Then follows an enumeration of the chief kinds of banks with a description of each. The actual course of banking is then set forth in detail. Special problems in banking, the testing of credit, single-name and double-name paper, and other details of practical banking are treated of and the subject of deposits explained, and this leads to domestic and foreign exchange. Bank notes are analyzed and the co-operation of banks in establishing clearing-houses is explained. The organization and management of a bank are set forth in detail, and then capital and reserves, which leads directly into governmental control of banking in America. As secretary of the Federal Reserve Board, Mr. Willis has exceptional opportunities for describing the actual working of the Federal Reserve System.

The chapter on foreign banking contains brief descriptions of all the chief national banks and closes with a discussion of modern banking systems in general. The final chapter, "Problems of American Banking," deals with the whole matter as applied to the fundamental questions of national finance—crises and panics, the effect of reserve banks, the relation of the reserve system to state banks, and its relation to the government, the development of commercial paper, foreign trade, branch banks abroad, and the new burdens laid upon our banks by the European war.

District, Not Bank Subject to Change

THE Federal Reserve Board has made public the text of the opinion rendered by the Attorney General on two questions referred to that official by the board, the first as to whether the board has power to change the location of a reserve bank and the second as to whether or not the limit of $4,000,000 capital in a Federal Reserve district would preclude changing district boundaries when the amount of capital is thereby reduced below the statutory limit required for the organization of the reserve system.

The first is decided in the negative, and as to the second, the Attorney General holds that the limit named applies only to organization and does not continue as a limit after a district is once organized and boundary changes are made necessary by business conditions.

COMMERCIAL NATIONAL BANK, RALEIGH, N. C.

Commercial National Bank of Raleigh, North Carolina

ADOPTING as its emblem the portrait of Sir Walter Raleigh, the Commercial National Bank of Raleigh, North Carolina, not only pays tribute to the memory of the explorer whose colonists landed on Roanoke Island and finally established the city, but emphasizes the fine spirit of courtesy of which the great Englishman was so illustrious an example, and which has been the bank's guiding principle. Indeed, there has always prevailed throughout this institution something beyond mere courtesy—a genuine spirit of hospitality which has attracted and held an ever-growing circle of friends year by year.

More than ordinary provision has been made for serving those who deal with the bank. For instance, this was the first local bank to start a Christmas Savings Club, and to encourage children's deposits, and provided a specially designed low teller's window for their convenience. It also has a special ladies' room, with separate teller's window.

The Raleigh cotton market is on the street beside the bank and the bank has a farmers' waiting room provided with every convenience and fitted up in the same style as the banking room. This room has been turned over to the farmers of Wake county and is their headquarters. The latest papers and bulletins on agriculture are always on hand; also exhibits of farm products, models of houses and other things pertaining to farm work and life. This feature is greatly appreciated by the farmers and has added largely to the number of the bank's depositors from among this important element in the community.

HISTORY AND PROGRESS

THE Commercial and Farmers Bank was organized September 30, 1891, with Capt. J. J. Thomas as president; A. A. Thompson, vice-president; B. S. Jerman, cashier; H. W. Jackson, assistant cashier and teller; G. W. Thompson, bookkeeper, and E. B. Crow, collector. The capital was $100,000. In March, 1908, the organization was changed to a national bank, with the present title,

PORTRAIT OF SIR WALTER RALEIGH WHICH IS USED AS THE BANK'S TRADE MARK

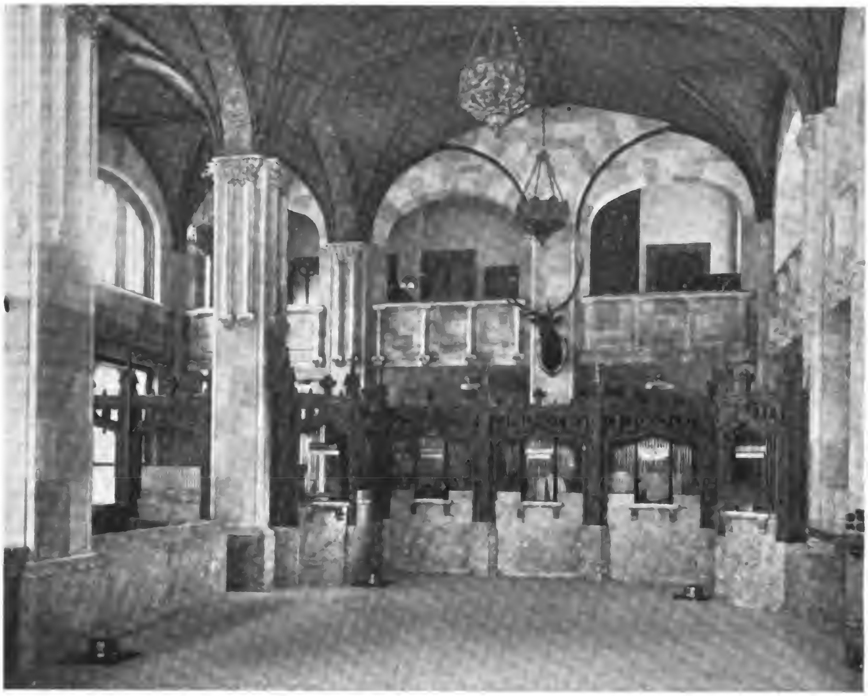
VIEW OF PRESIDENT B. S. JERMAN'S OFFICE. COMMERCIAL NATIONAL BANK, RALEIGH, N. C.

THE FARMERS' ROOM. COMMERCIAL NATIONAL BANK. RALEIGH, N. C.

VIEW OF THE BANKS' CORNER. THE BUSY CORNER. WAGONS WITH COTTON FOR SALE ARE SEEN STANDING NEAR CURB, THIS STREET BEING THE COTTON MARKET. CROSS SHOWS ENTRANCE TO FARMERS' ROOM. COMMERCIAL NATIONAL BANK. RALEIGH, N. C.

CASHIER E. B. CROW'S DESK. AS USUAL IT HAS SOME FARM PRODUCT ON ITS TOP. IT HAS BEEN SAID THAT THE TOP OF MR. CROW'S DESK ALWAYS LOOKS LIKE A COUNTY FAIR. OMMERCIAL NATIONAL BANK. RALEIGH. N. C.

VIEW OF TRANSIT DEPARTMENT SHOWING SAFE DEPOSIT VAULT IN THE REAR. COMMERCIAL NATIONAL BANK. RALEIGH, N. C.



VIEW OF MAIN BANKING ROOM OF THE COMMERCIAL NATIONAL BANK, RALEIGH, N. C. SHOWING TELLERS' CAGES

The Commercial National Bank. In 1910 the capital was increased to $300,000, a 100 per cent. dividend in stocks being paid to the old stockholders, and $100,000 new stock sold at 130 per share.

In 1905 G. W. Thompson resigned to accept a position as vice-president of the Virginia Cotton Mills. In 1908 Capt. Thomas was made chairman of the board, B. S. Jerman being made president; H. W. Jackson, cashier, and E. B. Crow, assistant cashier. In 1910 H. W. Jackson left the bank to become president of the Virginia Trust Company of Richmond, Va.., E. B. Crow being made cashier and A. P. Bauman assistant cashier. In 1911 Capt. Thomas died. The promotion system has been steadily maintained and the head of every department and every bookkeeper started with the bank as collector. Seven of the present directors have been on the board since the organization of the bank in 1891. B. S. Jerman, president, has declined numerous offices with important institutions elsewhere, preferring to remain with the bank. In the twenty-five years of the bank's history it has only lost five of its employees and officers by death or resignation. The promotions have come by the growth of the bank.

As already stated, the bank's original capital of $100,000 has grown to $300,000, and besides there is now a surplus of $100,000 with a very substantial sum remaining in the undivided profits accounts. The deposits, which are now above $1,500,000. have more than doubled in the past six years. By enlarging the capital, and maintaining an exceptionally large surplus fund, the Commercial National Bank has alike kept in a strong and safe position and made it possible to render a high degree of banking service to its community.

THE NEW BUILDING

WITH the growth of the city and surrounding territory, the Commercial National Bank saw the need of

B. S. JERMAN
PRESIDENT COMMERCIAL NATIONAL BANK, RALEIGH, N. C.

A. A. THOMPSON
VICE-PRESIDENT COMMERCIAL NATIONAL BANK RALEIGH, N. C.

a new modern bank and office building, and under the leadership of Col. A. L. Baker, one of the directors of the bank and chairman of the building committee, the present fine structure was designed and built. Col. Baker's taste and judgment are especially evident in the handsome and unique main banking room, which he practically designed. Our illustrations show this to be one of the especially fine banking rooms of the United States. It is of cathedral style, the high blue ceiling set with golden stars and the room is furnished in the finest marble, bronze, steel and hand carved oak. An important part of the equipment is the solid steel vault, with a door weighing seven and one-half tons. Money vaults and safe deposit boxes are in separate compartments in this vault. Separate vaults for books are near by and a storage vault in the basement.

This was the first modern bank and office building of steel and concrete to be built in Raleigh or eastern Carolina. The second to tenth floors are offices. There is a lavatory in each room, and each office is an outside office. Vacuum cleaners, mail-chutes, steam heat, electric and gas light, are part of the thoroughly modern equipment.

The Commercial National Bank moved into its new building on October 20, 1913, making the opening the occasion of a special welcome to its numerous friends. In point of materials, design, construction and equipment the building shows that it was wisely planned and carefully built and furnished. It satisfies one's artistic taste in appearance, and in point of comfort, convenience and safety is admirably adapted to the best modern banking service.

E. B. Crow
CASHIER COMMERCIAL NATIONAL BANK
RALEIGH, N. C.

A. P. Bauman
ASSISTANT CASHIER COMMERCIAL NATIONAL BANK, RALEIGH, N. C.

PERSONNEL

BEHIND a bank or any institution are strong human personalities. In the men who have directed the organization and management of the Commercial National Bank of Raleigh, the institution has been especially fortunate. Their solid judgment has brought the bank steadily forward to its present strong and prominent place in the community.

President B. S. Jerman came to Raleigh in early manhood and accepted a position as collector with the Citizens National Bank. He rose rapidly and in 1891 was the organizer of the Commercial and Farmers Bank, accepting the position of cashier. He is prominently identified with many of North Carolina's industries as an officer or director. He has been treasurer of the city of Raleigh and served his community in many other positions of trust. He is known as one of the best financiers and credit men in the South. The bank has always been exceptionally free from bad paper or losses in the whole twenty-five years in which he has been actively engaged in making loans for it.

A. A. Thompson has been long known as one of the leading business men of North Carolina and has been actively engaged in cotton buying and manufacturing. He is president of the Raleigh Cotton Mills and actively interested in many other mills and industries in the state.

E. B. Crow, cashier, was born and reared in Raleigh. He entered the bank at an early age as collector and has been in its service ever since. He is exceptionally public-spirited and is one of the most popular and best-known men in Raleigh. He is one of the three members of the county board of educa-

OFFICERS' QUARTERS. COMMERCIAL NATIONAL BANK, RALEIGH, N. C.

tion, one of the five trustees of Rex Hospital, and secretary and treasurer to the board; trustee of Peace Institute, one of North Carolina's leading female colleges; treasurer of the Raleigh Rotary Club, and an active member of the Chamber of Commerce; one of the organizers of the Y. M. C. A. and a director, and director of the Raleigh Building and Loan Association. He also has an active interest in a number of Raleigh's leading business industries as an officer or director. Mr. Crow has worked his way through every position in the bank from collector to cashier.

A. P. Bauman, assistant cashier, is also a Raleigh man. He entered the

service of the bank in 1894, soon after graduation from Davidson College, accepting a position as collector. He has been with the bank steadily since this time. He is prominently connected with a number of Raleigh's industries and has held many positions of trust in the community.

Mention was made above of the servic rendered the bank by Col. A. L. Baker, as chairman of the building committee.

Col. Baker is originally from Maryland, but for a number of years has made his home in Raleigh. He is president and owner of the Virginia Cotton Mills, Swepsonville, N. C., and also president of a number of local enterprises. He is known as one of the most progressive and liberal men in the state, and is a courteous Southern gentleman.

A complete list of officers and directors of the bank follows:

Officers—B. S. Jerman, president; A. A. Thompson, vice-president; E. B. Crow, cashier; A. P. Bauman, assistant cashier.

Directors—Ashby L. Baker, president Virginia Cotton Mills; C. B. Barbee, of Barbee & Co., cotton merchants; Thomas H. Briggs, of Thos. H. Briggs & Sons, hardware; E. B. Crow, cashier; D. H. Hill, president of N. C. A. and M. College; Henry T. Hicks, president Capudine Company; Charles W. Horne, farmer, Clayton, N. C.; Carey J. Hunter, superintendent Union Central Life Insurance Company; A. B. Hunter, merchant and banker, Apex, N. C.; H. W. Jackson, president Virginia Trust Co., Richmond, Va.: B. S. Jerman, president; J. Beale Johnson, planter, Cardenas, N. C.; A. R. D. Johnson, of Johnson & Johnson Co.; Henry A. London, attorney-at-law, Pittsboro, N. C.; John A. Mills, capitalist, Raleigh, N. C.; B. F. Montague, capitalist, Raleigh, N. C.; Alf. A. Thompson, president Raleigh Cotton Mills; R. B. Whitley, banker and manufacturer, Wendell, N. C.; M. B. Chamblee, of M. C. Chamblee & Sons, Wakefield, N. C.; J. Dwight Barbour, of J. G. Barbour & Sons, Clayton, N. C.

COL. A. L. BAKER

A DIRECTOR. CHAIRMAN OF THE BUILDING COMMITTEE, AND PRIME MOVER IN PUTTING UP BUILDING. COMMERCIAL NATIONAL BANK, RALEIGH, N. C.

CONDENSED STATEMENT

AT the close of business May 1, 1916, the condensed statement of the Commercial National was as follows:

Resources

Loans and discounts	$1,400,244.51
Overdrafts	1,621.24
U. S. Bonds to secure circulation	150,000.00
Bonds to secure U. S. deposits	35,000.00
Stock Federal Reserve Bank	12,000.00
Other bonds and securities, etc.	182,600.00
Furniture and fixtures	35,431.45
5% redemption fund	7,500.00
Cash and due from banks	519,143.19
Total	$2,343,540.39

Liabilities

Capital stock	$300,000.00
Surplus fund	100,000.00
Undivided profits	40,418.71
Circulation	150,000.00
Deposits	1,753,121.68
Total	$2,343,540.39

ROBERT J. BUCK
PRESIDENT

ORVILLE E. HUNGERFORD
VICE-PRESIDENT

DANIEL D. SCHUYLER
CASHIER

ELLIOTT G. JOHNSON
ASST. CASHIER

PRESENT OFFICERS OF THE JEFFERSON COUNTY NATIONAL BANK, WATERTOWN, N. Y.

The Jefferson County National Bank, Watertown, N. Y., Celebrates Its One Hundredth Anniversary

THE Jefferson County National Bank celebrates this year the one hundredth anniversary of its foundation. Born in the days of the pioneer in Jefferson county, this institution has for over three generations been identified in a helpful way with the growth of almost every important commercial enterprise that has made for the upbuilding of Watertown and its vicinity. This bank and the men connected with it have always shown a broad and kindly interest and maintained a helpful relation to every good and worthy cause. having for its object the advancement of Jefferson county.

The Jefferson County Bank was incorporated by an act passed April 17, 1816, on a petition from John Brown, Roswell Woodruff, Eliphalet Edmonds, David I. Andrus, Ethel Bronson, Jabez Foster, Egbert Ten Eyck, Hoel Lawrence, Frederick White, Abel Cole and others, to continue until January 1, 1832, with a capital not exceeding $400,000 in shares of $50 each. Elisha Camp of Hounsfield, Jesse Hopkins of Henderson, Ebenezer Wood of Ellisburg, Jabez Foster of Watertown, Clark Allen of Lorraine, Samuel C. Kennedy of Rodman, Ethel Bronson of Rutland, John Durkee of Champion, Thomas Brayton of Wilna, Silvius Hoard of

THE ORIGINAL HOME OF THE JEFFERSON COUNTY NATIONAL BANK AT ADAMS, N. Y.

Antwerp, Musgrove Evans of Le Ray, John Paddock of Brownsville and Eliphalet Edmonds of Adams, were appointed to apportion the stock and locate the site of the banking house. These met at Watertown and after a long and exciting strife between Watertown and Brownville, the latter uniting with other interests, succeeded in getting it located at Adams, more from jealousy of Watertown than with the hope or expectation of benefiting Adams.

The first directors, elected June 20, 1816, were John Paddock, Hoel Lawrence, Ebenezer Wood, Clark Allen, David I. Andrus, S. F. Hooker, Elisha Camp, Frederick White, David Hale, Samuel C. Kennedy, John Cowles, Eliphalet Edmonds and Joseph Sterling. The first president was John Paddock. The bank went into operation on a capital of $50,000 with $25,000 paid in. It was not a success at Adams and by an act of November 19, 1824, the bank was removed to Watertown, and the capital increased to $80,000. On April 29, 1829, the charter was extended to January 1, 1854. The directors, by this act, were required to own at least $500 stock. May 19, 1836, the capital was increased from $80,000 to $200,000 (later reduced to $148,800) and commissioners appointed to receive subscriptions in shares of $10 each. In 1828 it became one of the safety fund banks, a mark of confidence on the part of the state in the soundness of the institution. Since 1840 it has conducted business on practically the same site. Previous to 1895 the Jefferson County Savings Bank occupied an old stone building located at the corner of Washington and Stone streets, while the national bank occupied a one-story brick building adjoining it on the south side. In 1895 both buildings were torn down and a handsome six-story brick block erected, covering both lots. By lease the national bank secured the north side of the first floor, where it is now located in beautiful and commodious banking quarters.

INTERIOR VIEW OF THE PRESENT BANKING QUARTERS OF THE JEFFERSON COUNTY NATIONAL BANK, WATERTOWN, N. Y.

Through good times and bad times

the Jefferson County National Bank has enjoyed throughout the whole period of its history the confidence of the people of northern New York, as a sound and helpful institution. It has never defaulted on any of its obligations even in times of panic, and has paid regular dividends since the time the bank was located at Watertown in 1824. Under its national bank charter it has disbursed since 1865, $1,122,240 in dividends, and including dividends paid between the years 1824 and 1865 the bank has paid to its stockholders over a million and a half dollars, besides earning a surplus of over three hundred thousand dollars.

The steady increase in the business of the Jefferson County National Bank is shown by the following comparative statement:

Paid-in capital, 1816..........	$25,000.00
Capital, surplus and profits, 1916	585,000.00
Resources in 1821	91,000.00
Resources in 1916 (Jan. 1)....	3,000,000.00
Dividends paid to stockholders over	1,500,000.00

The growth since 1865, the date the bank received its national charter, is shown by the following table:

	Capital, surplus, Profits.	Deposits.	Resources.
1865	$198,619.55	$236,145.58	$558,549.13
1885	255,028.63	636,860.69	1,015,489.32
1905	409,733.81	1,342,718.48	1,813,029.32
1915	585,630.32	2,304,495.80	3,039,026.12

The present officers of the Jefferson County Bank are as follows: Robert J. Buck, president; Orville E. Hungerford, vice-president; Daniel B. Schuyler, cashier; Elliott G. Johnson, assistant cashier. The board of directors is composed of the following: Charles H. Anthony, George H. Babcock, Henry W. Boyer, Robert J. Buck, Orville E. Hungerford, G. Seymour Knowlton, John C. Knowlton, Stuart D. Lansing, Carl G. Nill, Edward N. Smith, George A. Stebbins, Byron B. Taggart, John B. Taylor, James B. Vock, James B. Wise, Leland G. Woolworth.

Amendment to National Banking Law

A BILL relating to the method of electing national bank directors, introduced some time ago by Senator Owen, has passed the Senate. It provides that national banks located near the boundary line of adjoining states, subject to the discretion of the Comptroller of the Currency, may elect only a majority, instead of three-fourth, of their directors from residents of the state in which they are respectively located. The measure would make section 5146 of the Revised Statutes read as follows:

"Every director must, during his whole term of service, be a citizen of the United States and at least three-fourths of the directors must have resided in the state, territory, or district in which the association is located for at least one year immediately preceding their election and must be residents therein during their continuance in office: Provided, That whenever an association is located in a place within five miles of the boundary line of an adjoining state, the Comptroller of the Currency may, in his discretion, authorize such association to select, if it desires so to do, instead of three-fourths, only a majority of its directors from the state in which it is located: Provided further, That at least one-fourth of the other directors are residents of the said adjoining state and reside within fifty miles of the corporate limits of the city, town, or village in which the said bank is located. Every director must own in his own right at least ten shares of the capital stock of the association of which he is a director."

International Banking and Finance

The Argentine Republic as a Field for American Capital and Enterprise

By CARLOS A. TORNQUIST

PRINCIPAL SOURCES OF WEALTH*

THE Argentine being a country of all climates, covering 33 degrees of latitude from the torrid heat of the Northern Provinces to the cold steppes of Southern Patagonia, flat in its greatest eastern portion and mountainous in the west, it produces almost every article like the United States.

The value of the total production of the Argentine during 1915 has been officially calculated at gold $1,414,225,000.

Its most important sources of wealth are:

First—The rearing of cattle, sheep, horses, hogs, etc., and the preparation of the products derived therefrom.

Second—Agriculture: Wheat, corn, linseed, oats, etc.

Far behind these come the production of sugar cane, wine, yerba mate (native tea), quebracho, other timber, petroleum and other goods.

Beginning with the first item I must remark that the Argentine is particularly suitable for cattle rearing and fattening, the climate being so mild that the cattle can be left in the open, day and night, summer and winter, thus reducing expenses by dispensing with the erection of costly sheds or stables, with the result that the cattle are healthier and stronger than when kept under roof. The cattle are fattened with natural grass and Lucerne and without grain; the results are best shown by the figures of the meat exported (which I have shown above) and the excellent results obtained everywhere, including the United States.

As regards our hides and wool (two items which figure amongst our exports with more than gold $100,000,000) I need not go into further details, as the United States, which to-day is the strongest buyer thereof, knows them quite well.

The dairy industry has not progressed hitherto as might have been expected, because our *estancieros* have so far aimed at producing fat cattle useful for slaughter, rather than cows which should yield an abundant supply of milk.

Hogs are also beginning to be reared in large quantities, but the hog fattening question has not yet been solved in this country satisfactorily.

Horses have been exported to Europe during the last six months to the extent of 50,000.

AGRICULTURE

THIS was practically nil forty years ago and the astonishing progress registered therein of late has already been shown. The richness of the soil and the propitious climate have only recently been appreciated to their full extent and been taken advantage of. Our population cannot as yet supply suffi-

*This is the second instalment of an article on the Argentine Republic by Carlos A. Tornquist, of the firm of Ernesto Tornquist & Co., Lt., Buenos Aires.—Editor.

cient hands for gathering the crops, but the requirements are met by labor immigrants from the agricultural regions of Spain and Italy, who come over expressly for the harvesting season. A number of them always remain in the Argentine whilst others return home, to come again for the next crop.

The present selling price of cereals raised by the great demand which the war produced, is acting as a great stimulus to agriculture and will no doubt benefit the country in many ways.

It is worthy of note that this satisfactory result is attained in spite of the primitive methods of handling the crops, for grain elevators exist only at the principal ports.

The price of agricultural land is much lower here than in the United States, Canada and Australia.

Cattle breeding and agriculture represent over eighty per cent. of Argentina's wealth; next to them come the sugar industry (sugar cane grows principally in the Province of Tucuman) and the wine industry (principally in the Province of Mendoza), which on an average produce only sufficient for home consumption. The Argentine sugar production in 1913 was 276,140 tons, and that of wine 5,000,000 hectolitres.

FRUIT INDUSTRY

SOME regions in the North Western part of the country are particularly well adapted to this culture, which up to the present has not been developed on a large scale owing to lack of experience in handling fruit. The Province of Tucuman, called "the garden of Argentina," is especially suitable for fruit cultivation, closely followed by the Province of Mendoza. These two Provinces may be called the "Argentine California," for they produce all the fruit varieties of California by artificial irrigation. Rio Negro promises to rival them, when its large irrigation works, now under construction, are completed.

TIMBER INDUSTRY

THE timber industry has also a brilliant future, as our large forests produce a great variety of useful woods, especially hard woods, such as quebracho, algarrobo, ñandubay and others.

Our quebracho-wood industry has two special lines:

From the best quality of quebracho extract (tannin) is obtained (for which the United States is at present our best customer); the sound trunks of the kind poorer in tannin are cut up for railway sleepers and building.

The algarrobo is utilized for construction and paving, and lately some successful experiments have been made to extract from it a chemical product which substitutes aniline for dyeing purposes.

It has been found that the wood of the Araucaria imbricata is well adapted to the manufacture of paper, and in Neuquen, where large forests thereof exist, the installation of a factory for the manufacture of wood pulp (with the support of the government) is being contemplated.

PETROLEUM

FUEL being required on a large scale (imports of coal amounted in 1913 to 4,000,000 tons), and native coal being of poor quality, it was quite a reve-

lation to the country when a few years ago one of the government departments, whilst boring for water at Comodoro Rivadavia, on the coast of Patagonia, discovered an oil field, which promises to be one of the largest in the world. Since then more oil fields have been discovered and are being explored in several other regions, but in none of them has exploitation been commenced as in Comodoro Rivadavia, where the monthly production is already over 8,000 tons of good petroleum. It appears that large deposits of petroleum exist all along the eastern slope of the Andes, for oil wells have already been found in Salta, Mendoza and Neuquen.

MINING INDUSTRY

UP to the present no mines of importance have been discovered or seriously worked, with the exception of some copper mines in the Provinces of Rioja and Catamarca. Gold mines exist in San Juan and silver mines in Mendoza, but the want of cheap burning material for the smelting makes their exploitation too expensive. Good salt deposits exist all over the country, but only few are being worked. There are also wolfram, borax, and sulphur deposits, which, however, are exploited on a small scale; zinc and other metals have been found, but up to the present only in small quantities.

FISHING

FISHING is good and plentiful, and in the south, whaling has proved successful.

COTTON, RICE, JUTE, ETC.

THE cotton and rice cultures have been initiated lately with good results. Spanish enterprise is pushing the cultivation of cotton, whilst rice culture is gradually developing with the aid of Japanese experts. The government is disposed to grant monetary help to people desirous of taking up either of these industries.

The exploitation and development of existing native jute in the north, and many other products are likely to assume importance in the future.

IRRIGATION

OWING to the low rainfall in Mendoza, Tucumán, Salta, Jujuy and other northwestern provinces, all cultivation is carried on there by means of artificial irrigation. In the Rio Negro district irrigation works on a large scale have been commenced.

POLDERING

DIKING is being initiated on several low-lying lands, principally on the borders of the Paraná River.

HYDRAULIC POWER

LITTLE use has up to the present been made of hydraulic power. Some works on a small scale exist in Tucumán and Córdoba, where the land is hilly, but the richest part of the country is flat and consequently offers no opportunities for works of this nature.

HOPES FOR THE FUTURE

THE above, I think, should give an idea of the brilliant prospects offered by this country.

A better organized administration, adequate instruction, co-operation, greater subdivision of land, good colonization laws, ample support of railway

enterprise directed towards land development, as is done in the United States and Canada, and finally, a larger population and more capital for definitive investment in the country are our present requirements.

Time will bring all this, and meanwhile the progress of the country towards which good governments have contributed their part during the last twenty-five years, serves gradually to consolidate its position and to continue the work of developing its riches.

The country is passing through a period of evolution, during which we are keeping the big American Republic as a model before us, and after having copied its Constitution, we are now striving to follow its example in questions of economy.

We are conscious that we have still much to learn, but the progressive and adaptable spirit of the new Argentine will grasp and overcome the difficulties much sooner than many optimists believe.

War Loans and War Finance*

I.—LOANS IN THE UNITED STATES

THERE are three sources whence funds have come for prosecution of the war. These are: (1) The peoples' savings, reached through bond issues to the public; (2) Bank and money market resources, reached through loans made and currency issued against government credit; (3) The capital of neutral countries, reached through the sale of securities in foreign markets, or through government pledges.

The United States has been the source whence funds to finance the war have been drawn to an amount estimated from $2,500,000,000 upward. Nearly a billion dollars have been borrowed directly by the belligerent nations on bonds and notes. Further sums have been borrowed on "banking credits," and there have been additional operations based upon the enormous volume of American exports of war supplies.

In a round sum, a billion and a half dollars have been supplied in exchange for American securities returned to our markets, which prior to the war had been owned in Europe, but which were liquidated in many cases in order that their value might be invested directly in newly issued government bonds.

With respect to foreign loans, the United States has established an historic precedent. From the beginning of its history to the opening of 1915, this has been a borrowing nation. "The true indebtedness of the United States has been completely hidden by the influx of foreign capital," wrote a foreign observer in *"Le Marché Financier"* in 1893. Vast sums of money required to develop American resources had not only prohibited the export of capital, but had induced the older nations of the earth to extend help, so much so that the economic strength of the United States used to be explained as a consequence of the investment of European capital.

* From a pamphlet issued by the Mechanics & Metals National Bank, New York.

Since the war began conditions have been reversed. There has been no influx of foreign capital; instead Europe has made large demands upon this country. Yet our economic strength has manifested itself more than ever before. From the early part of 1915 foreign credits followed one another in close succession, in amounts ranging from ten millions to two hundred and fifty millions. Great Britain, France, Germany, Italy, Russia and Canada were notable borrowers; Norway, Sweden, Greece and Switzerland secured accommodation. Nations other than those of Europe also came to the United States for assistance; loans were made to Argentina, Bolivia, Chili and the Republic of Panama.

One result of all this was to make it manifest that New York was, for the period of the war at least, the only unhampered money center of the world. Loans to foreign countries were made without notable effort, and security sales were absorbed without bringing about any severe readjustment of values or menacing the country's financial structure.

Following is a table which collates foreign loans placed in the United States from the opening of 1915 to the spring of 1916:

EUROPEAN LOANS

To Governments	Description	Amount.
Great Britain	AngloFrench, 5-year, 5% Notes	$250,000,000
France	Anglo-French, 5-year, 5% Notes	250,000,000
France	Notes, 5% (since paid)	40,000,000
France	Bank Credit	15,000,000
Germany	Notes, 5% (since paid)	10,000,000
Germany	War Bonds (estimated)	25,000,000
Greece	Bank Credit	7,000,000
Italy	Notes, 6%	25,000,000
Norway	Notes, 6%	8,000,000
Sweden	Notes, 6%	5,000,000
Switzerland	Notes, 5%	15,000,000
Russia	Bank Acceptances (since paid)	25,000,000
Russia	Bank Credits	7,000,000
Total		$682,000,000
To Bankers		
British		$50,000,000
French		30,000,000
Scattered		50,000,000
Total		$130,000,000
Total to Europe		$812,000,000

CANADIAN LOANS

Dominion Government	$120,000,000
Provincial and Municipal	100,000,000
Total	$220,000,000

LATIN AMERICAN LOANS

Argentina	Notes, 6%	$50,000,000
Argentina	Treasury Bonds, 6%	25,000,000
Bolivia	Bank Loan	1,000,000
Chili	Bank Loan	6,000,000
Yucatan	Sisal Hemp Loan	10,000,000
Panama	Bonds, 5%	3,000,000
Total		$95,000,000
Grand total, all foreign loans		$1,127,000,000

II.—WAR DEBT

TWO years ago, the permanent debt of the five greatest powers now at war—Great Britain, France, Russia, Germany and Austria-Hungary—was a little less than $20,000,000,000. In April, 1916, it was $43,500,000,000. For each of the 370,000.000 inhabitants of the countries in question, the permanent debt two years ago averaged $53. Now it averages $118.

Great Britain's debt in 1914 was equal to $77 for each inhabitant. It is now equal to $186. For France the per capita debt had been for many years the largest among civilized nations. That per capita debt was $162.50 in the middle of 1914. In two years it has been advanced to $287.50. The increase in the per capita debt of the German Empire has been from $19.20 to $157.15.

In order to make clear the disparity between Germany's increase and the others, it should be explained that the national debt of the German Empire before the war was relatively small, a substantial part of public obligation being assumed by the individual states, such as Prussia, Saxony, Bavaria, Baden, etc. Were the debts of the states added to the national debt, the percentage of increase would not be so striking, although the German states, like the British Dominions, have also issued war loans since 1914.

At the beginning of the war the debts of the five nations which are bearing its heaviest burden were, in both gross and per capita amounts:

	Debt, 1914.	Per Capita.
Great Britain.....	$3,500,000,000	$77.80
France	6,500,000,000	162.50
Russia	4,600,000,000	26.90
German Empire...	1,250,000,000	19.20
Austria-Hungary .	3,750,000,000	75.00
Total, 5 nations.	$19,600,000,000	$52.80

Adding to these figures the amounts of the formal loans issued from the time the conflict began up to May, 1916, and which involved permanent increase in the fixed interest charges of the several nations, the result is as follows, both as to aggregate and per capita indebtedness:

	Debt, 1916.	Per Capita
Great Britain....	$8,425,000,000	$186.70
France	11,500,000,000	287.50
Russia	7,000,000,000	41.52
Germany	10,200,000,000	157.15
Austria-Hungary.	6,400,000,000	128.50
Total, 5 nations.	$43,525,000,000	$118.30

Should the war come to a conclusion at the close of its second year, Great Britain will emerge from it with a debt four times the amount at which it entered. France will more than have doubled its debt. Russia's debt will more than have been trebled. Germany's debt will have increased tenfold. Austria's three-fold. The War Study Society of Copenhagen has shown this, in a table which makes the calculation that if the war lasts two years until August 1, the total debt of the

ten active belligerents will exceed $70,000,000,000.

Figures which are entirely its own are used by this society, and although they may not agree absolutely with those of other authorities, they are strikingly suggestive, and are given here for the five principal powers in the war, the record showing the debt increase in the two-year interval from the middle of 1914 to August 1 next.

	Aug. 1, 1916	Aug. 1, 1914.
G. Britain...	$14,500,000,000	$3,500,000,000
France	14,500,000,000	6,600,000,000
Russia	15,000,000,000	4,600,000,009
Germany	12,250,000,000	1,250,000,000
Austria-Hun..	9,000,000,000	3,750,000,000
Total	$65,250,000,000	$19,600,000,000

These figures of debt increase are of such proportions that there is absolutely no precedent for them. Their magnitude may be appreciated to some degree when it is recalled that the maximum debt of the United States at the end of the Civil War was $2,750,000,000, or one-fifth the debt of either Great Britain or France shown above.

It is commonly estimated by economists that the twenty-two years of the Napoleonic wars, from 1793 to 1815, entailed a total cost of $6,250,000,000, one-half of which was represented in the increase of the British debt. Austria-Hungary alone has increased its debt in the past two years by an amount equal to seventy-five per cent. of the full cost of the Napoleonic wars, and England's addition to permanent debt by two war loans in the first year of the present struggle was more than its addition in the twenty-two years of those wars. The two loans issued up to the present time for war purposes were at least twice as large as the largest sum ever previously invested in the English market in a corresponding period, in all securities combined.

Germany's four loans of the past two years produced subscriptions that were at least ten times greater than its largest total investment in all loans for a corresponding earlier period. There is no possible comparison between the recent French loans and the financing of the French wars of a century ago. Napoleon and his ministers believed in making war "pay its way," and preferred a policy which involved heavy taxation and also heavy annual burdens on conquered countries. Records show little addition to the debt of France during the period of Napoleon's costly campaigns.

Following the Franco-Prussian War the payment of the indemnity to Germany, and the funding of other costs of war, imposed upon France a strain theretofore unexampled in European history on any single occasion, but no loans approaching in amount those of the present era were seen at that time.

Review of Australasian Banking Returns

THE "Australasian Insurance and Banking Record" of recent date contains a review of the last published balance sheets of the twenty-two banks (not including the Commonwealth Bank of Australia), transacting business in Australia and New Zealand.

The dates of the balance-sheets vary from 31st December, 1914, to 31st December, 1915, and include sixteen at dates not earlier than 31st August, one at 30th June, and five at earlier dates. Of these five institutions, four issue annual balance-sheets, and their figures are the same as those included in the table published last September.

The grand total of the balance-sheets of the twenty-two banks, as shown by the present compilation, is £275,566,438, an increase of £5.107.752 as compared with the total published six months ago, or an increase of £15,086,-

Additions to Paid-up Capital and Reserve Funds, 1915.

	Capital Paid up	Reserve Funds.
Australian Bank of Commerce.......	£517	£20,000
Bank of Australasia	......	60,000
Bank of New South Wales...........	......	100,000
Bank of New Zealand................	456,020	450,000
Bank of North Queensland...........	......	2,500
Bank of Victoria.....................	......	35,000
City Bank of Sydney.................	......	6,000
Colonial Bank of Australasia.........	......	20,000
Commercial Bank of Australia........	*15,003	......
Commercial Bank Co. of Sydney......	......	50,000
Commercial Bank of Tasmania.......	......	5,000
English, Scottish and Australian Bank.	......	50,000
London Bank of Australia...........	120,440	30,000
National Bank of Australasia........	......	40,000
National Bank of New Zealand.......	......	20,000
National Bank of Tasmania..........	......	3,500
Queensland National Bank...........	......	22,000
Royal Bank of Australia............	......	12,500
Royal Bank of Queensland...........	125	2,000
Total	£592,105	£928,500

729 as compared with a year ago. The half-yearly movements for the last six years are stated as follows:

		Increase.
June 30, 1910....	£222,437,543	£13,428,176
Dec. 31, 1910....	230,161,075	7,723,532
June 30, 1911....	243,929,673	13,768,598
Dec. 31, 1911....	246,003,672	2,073,999
		Decrease.
June 30, 1912....	245,494,516	509,156
Dec. 31, 1912....	244,654,800	839,716
		Increase.
June 30, 1913....	245,816,601	1,161,801
Dec. 31, 1913....	248,033,361	2,216,760
June 30, 1914....	262,240,714	14,207,353
		Decrease.
Dec. 31, 1914....	260,479,709	1,761,005
		Increase.
June 30, 1915....	370,458,686	9,978,977
Dec. 31, 1915....	275,566,438	5,107,752

The figures may be further stated by annual periods as follows:

1911—Increase	£15,842,597
1912—Decrease	1,348,872
1913—Increase	3,378,561
1914—Increase	12,446,348
1915—Increase	15,086,729

The increase during 1915 is the largest since 1911, but the causes from which it has arisen are of a different nature from those in operation at the earlier period.

The shareholders' funds show an increase of £1,644,899 on the year, and the total, after paying the half year's dividend, is close upon 40 millions sterling. Paid-up capital shows an increase of £592,105, practically the whole of which is in completion of prior arrangements. Reserve funds show an increase of £928,500, partly from premiums on new share issues in certain cases, and partly from current profits. Undivided profits show an increase of £58,720, and the aggregate amount under this heading is now close upon £700,000, while a few years ago it was under £400,000. A detailed statement of the increases in paid-up capital and in reserve funds for the last twelve months is shown in the table above.

Liabilities to the public show an increase of £13,441,830 for the past year, against an increase of about 9½ millions during the previous year. Deposits, etc., amount to over 207½ millions, the increase being about 9 millions. Bills in circulation, etc., show an increase of over 3 millions, which is due to the increase of the Commonwealth Bank's balance with the Bank of New South Wales, the latter institution grouping amounts due to other banks with bills payable. Notes in circulation show an increase of over a million on the year, this increase being entirely in New Zealand.

The increase in liquid assets during

the past year is £15,399,371, the greater part of which is in the form of Australian notes held by the banks. Discounts and advances, etc., show a decrease of £542,076 on the year.

Australian Banks Permitted to Export Gold

THE Federal Treasurer of the Commonwealth of Australia has finally permitted the export of gold by the banks of that country. The conditions under which it will receive the approval of the government are given in the "Melbourne Age." A commission of two per cent. is charged for telegraphic transfer, subject to draft of the banks, and an additional commission of one-fourth of one per cent. is charged where remittances are made from the interior. The terms under which the limited export of gold from the commonwealth is permitted are, as announced in the "Age":

"Any bank lodging full-weight sovereigns with the commonwealth treasury or with the Commonwealth Bank of Australia, as agents for the Treasury, to receive telegraphic payment in London at the rate of £98 for every 100 full-weight sovereigns lodged. The amount of two per cent. to be kept in hand, and, after all expenses have been paid, the balance to be adjusted at the discretion of the Treasurer.

"If there be a profit on the transaction, that is to say, if the gold is sold at a premium, it is proposed to place this profit to the credit of the Commonwealth revenue.

"In all shipments to charge a commission, payable to the Commonwealth Bank of Australia, of one-fourth of one per cent. and expenses of transit from centers where gold is lodged to the port of shipment. This commission of one-fourth of one per cent. and expenses of transit would come out of the two per cent. held by the Treasury.

"Should any shipments of gold to America or elsewhere result in a loss, the same to be deducted from the two per cent. held by the Treasury. This deduction would be in addition to the one-fourth of one per cent. and the cost of transit referred to above."

"Should gold be deposited by the banks in Australia before shipments can be made and the Treasurer have to pay the telegraphic transfer out of public funds in London, an account to be kept of the number of days until shipment is made and interest at the Bank of England rate to be charged.

"When all transactions are completed a general statement to be prepared showing the transactions.

"Any bank desiring to carry out such a transaction to give the Commonwealth Treasury or the Commonwealth Bank

reasonable notice beforehand, say, two days clear.

"This understanding to be subject to immediate cancellation or variation at the discretion of the Treasurer."

Japan's Banking Enterprises in China

DETAILS of the proposed Japanese banking enterprises in China—the Manchurian Bank and the Sino-Japanese Bank—are furnished as a result of the introduction of measures for their establishment in the Japanese House of Representatives. The "Japan Chronicle" states that the bills were offered on January 31, 1916.

The head office of the Manchurian Bank is to be situated in Mukden, and it is to be chartered for a period of fifty years. The capital is fixed at $4,985,000, to be divided into shares of $24.93 each. The business of the bank will include the issue of bonds; loans on the security of movable and immovable properties, railways, bonds, debentures, and other unimpeachable securities: buying and selling of gold and silver bullion, exchange, discounting, and other ordinary banking operations. The government will guarantee the payment of dividends at the rate of six per cent. per annum for ten years from the date of establishment.

The head office of the Sino-Japanese Bank will be situated in Shanghai and its charter will be for a term of thirty years. The capital is fixed at $9,970,000, to be divided into shares of $49.85 each. The directorate is to consist of a president, two vice-presidents, three or more directors, and three or more auditors. One vice-president and one-third or less of the number of directors and auditors shall be Chinese. Shareholders must be Japanese or Chinese subjects. The bank's business will include the issue of bonds and ordinary banking operations. The government guarantees a six per cent. dividend for ten years, as in the case of the Manchurian Bank.

Bank Note Issue in Salvador

THE Occidental Bank (Banco Occidental) of Salvador has received government approval of its purpose to increase its capital from £180,000 to £225,000, equal to 2,500,000 silver pesos, divided into 22,200 shares of £10 each, and to issue bank notes payable in silver coin of legal tender up to twice the amount of its paid-up capital.

Banking and Financial Notes

EASTERN STATES

New York City

—The Union Trust Co., 80 Broadway, has leased the banking floor of the building adjoining its banking rooms and will cut through and fit it up especially for the use of the trust department, which is expanding rapidly under the present management of the company. This will give much needed additional space. James Brown of Brown Bros. & Co., has recently been elected a trustee of the company.

—At a meeting of directors of the Nassau National Bank of Brooklyn, May 9, G. Foster Smith, who has been vice-president and cashier, resigned the latter office, remaining as first vice-president. Henry B. Schoenberner, formerly assistant cashier, was elected cashier, and T. Schenck Remsen, heretofore assistant cashier, was elected second vice-president.

—William S. Kies, a vice-president of the National City Bank, has been elected a vice-president of the American International Corporation. Mr. Kies will retain his vice-presidency of the bank, but will be relieved of all of his work other than that having to do with the foreign branches, and will make his headquarters at the American International Corporation at 120 Broadway.

—Stephen L. Selden has resigned as vice-president of J. G. White & Co., Inc., and has resumed the practice of the law. He has associated himself with Hardie B. Walmsley and Francis L. Kohlman, heretofore the firm of Walmsley & Kohlman, at No. 61 Broadway. The new firm will practise under the name and style of Selden, Walmsley & Kohlman, and will have its offices at No. 61 Broadway.

—The stockholders of the Battery Park National Bank will meet on June 5 to act upon a proposal submitted by the directors to increase the capital from $200,000 to $400,000 and the surplus from $100,000 to $200,000. It is proposed to issue two thousand shares of new stock at $150 per share. Deposits of this bank June 23, 1915, were $3,-630,142, and on May 1 they were $9,-712,448. Net undivided profits are $93,080, and aggregate resources $10,-681,689. E. A. De Lima is president and Edwin B. Day is cashier.

—In its statement of conditions as of May 1 the Chatham and Phenix Na-

tional Bank shows total resources of $85,183,827.68 and deposits of $85,183,827.68.

—John J. Pulleyn, for fourteen years controller of the Emigrant Industrial Savings Bank, has been chosen president to succeed the late Thomas M. Mulry. Mr. Pulleyn was formerly with the New York Life Insurance Co., of which he is still a trustee. He is also a member of the advisory board of the Washington branch of the Corn Exchange Bank, and is active in many charities. He was a member of the committee for the revision of the banking laws in 1914, and is recognized as an authority on savings bank legislation.

—At a meeting of the board of directors of the United States Mortgage & Trust Co., Henry L. Servoss was elected secretary in place of Alexander Phillips, who resigned to accept service elsewhere.

Announcement was also made of the appointment of John A. Hopper as manager of the company's 73d street branch office, and Charles S. Andrews, Jr., as assistant manager.

Mr. Andrews was formerly manager of the 86th street branch office of the New York Produce Exchange Bank.

—The Mechanics and Metals National Bank has issued a pamphlet entitled "War Loans and War Finance." The object of this little publication is to present in convenient form a summary of government loans that have been made since the war began together with related financial facts bearing on demand for capital for purely war purposes.

—The American Exchange National Bank has issued a booklet on the importance of acceptances as a means of increasing and simplifying domestic and foreign trade. The American Exchange National Bank has always taken an active interest in the commercial development of the country and is doing all it can to encourage the use of trade acceptances in the United States, because it believes that their general employment will add materially to the prosperity of the individual, as well as to the prosperity of the nation itself. The pamphlet contains chapters on the following subjects: Credit Functions and Instruments; the English Credit System; German and French Systems Outlined; the American Credit System; the Advantages of Acceptances; Regula-

tions of Federal Reserve Board; Developing the Market for Acceptances.

—The Bank of Cuba in New York, recently organized under the laws of the state of New York with $100,000 capital and $50,000 surplus, has absorbed the New York agency of the National Bank of Cuba. W. A. Merchant, president of the National Bank of Cuba, is head of the new institution and J. T. Monahan, New York agent of the Cuban bank, is vice-president. The incorporators are: William A. Merchant, James T. Monahan, Montgomery H. Lewis, E. Halsey Malone and Henry M. Earle.

—The Guaranty Trust Co. has issued a "Digest of the Federal Reserve Act" which aims to give the busy man a comprehensive idea of the banking and currency law, which with the establishment of the twelve Federal Reserve banks became operative on November 16, 1914.

—It has been announced that the Mercantile Bank of the Americas, Inc., which is to increase its capital stock, will probably add to the agencies which it now has in Colombia, Venezuela, Ecuador, Peru, Costa Rica, Nicaragua, Guatemala and Honduras. It expects to extend its operations within a short time to Salvador, cities of northern Brazil, the Amazon Valley, and other countries.

The Mercantile Bank of the Americas, which operates under a Connecticut charter, does a general banking business along the lines successfully followed for many years by European institutions of similar character. This bank does not solicit deposits in the United States, and, therefore, does not compete with local banks for United States business, but acts as intermediary in developing banking and commercial relations in and with the countries in which it is operating.

The Guaranty Trust Co. of New York has now become associated with the bank, and it is likely that other banks interested in foreign trade will similarly become associated.

—H. H. Thomas, formerly assistant treasurer of the United States Mortgage & Trust Co., has been elected vice-president of the Savings Investment & Trust Co., East Orange, N. J.

Philadelphia

—An interesting review of the financial and business situation appears in the letter sent out by President William A. Law of the First National Bank under date of May 15. Regarding local conditions it is said:

"Throughout this district, business has been conducted conservatively. 'War Profits' are in many cases being used to strengthen the producer's financial position, rather than as a basis for excessive dividends. There is no dis-

position to take too much for granted in making new commitments. Manufacturing and industrial interests are managing their affairs with careful regard for the hazards of a world-war. Many of them have accumulated heavy cash balances to safeguard them in the readjustment which will follow when the prices of raw materials get back to a normal basis again. This problem is of pressing importance, since the rise in raw materials, in many industries, during the last few months has advanced manufacturing costs to a basis which would be prohibitive for normal business. This community is becoming each day less dependent, however, upon foreign business as a basis for prosperity. An expanding domestic inquiry is likely to make good the loss of that class of foreign business which must decline as soon as the war ends."

—The Tradesmen's National Bank has issued a very interesting pamphlet entitled "Trade Acceptances." The Tradesmen's National Bank is actively encouraging the use of trade acceptances, and offers to firms and corporations interested in this movement the services, without charge or fee, of its organization for such assistance as may be required to explain or put into operation a system of trade acceptances.

—Messrs. Edward B. Smith & Co. announce removal to new offices at 1411 Chestnut street.

—About June 1 the Fidelity Trust Co. will open an uptown office at the northeast corner of Broad and Chestnut streets.

—The Franklin National Bank has increased its semi-annual dividend from eight to ten per cent.

—"One of the very biggest business questions in front of Philadelphia today," says "The Advance," the monthly publication of the Corn Exchange

National Bank, "is the question of marketing what it makes. As a manufacturing center, Philadelphia ranks among the half dozen leading cities on earth. But as a distributing center the city has not by any means kept pace with its immense advance as a producer of commodities.

"As a national advertiser, Philadelphia is outranked by many American towns of a third of its population, and a tenth of its wealth and productive capacity. Why?

"Because, too many Philadelphia manufacturers are content to sell to outside jobbers and permit them to reap a large part of the ultimate profit on wares made here. That is the precise disease which these expert advertising men can cure, if our manufacturers will only consult them."

—"Twice during the month just closed," says the People's National Bank of Pittsburgh, in its May letter, "exchanges at the Pittsburgh Clearing-House established new high records for daily totals, reflecting a sustained volume of business at the maximum in the history of the city. Of course the current high prices have had something to do with the showing. Doubtless the volume would have been still greater but for three intervening factors. The first was the continued inadequacy of railroad transportation, not so much within this particular district (for there was an improvement in car service here over conditions existing during the first quarter of the year), but in other districts to which Pittsburgh products are consigned. The second factor was the insufficient supply of raw and semi-finished material, which restricted full operations in some finishing mills. The shortage embraced steel bars, sheets and plates. The third factor was the shortage in some classes of labor, which in the closing days of the month was aggravated by numerous strikes. These voluntary suspensions of work affected the highest and lowest (graded according to wages) classes of workingmen, and the causes assigned were as various as the employments involved."

—Plans have been completed for the remodeling of the Merchants' National Bank of Elmira, N. Y. When finished the bank will be one of the most modern in the vicinity and the building one of the finest office structures in Elmira.

—The New York State National Bank of Albany, N. Y., has purchased the property adjoining their bank building and will there erect a three-story structure conforming to the style of the present bank building. The growing business of the New York State National has made this addition to their banking quarters essential.

—On May 8, the Central Trust Co. of Camden, N. J., celebrated the twenty-fifth anniversary of its foundation. The officers of the bank were the re-

cipients on this occasion of the sincerest congratulations from the many friends and patrons of the bank and also of many floral tributes from New York and Philadelphia bankers.

The Central Trust Co. was organized on April 9, 1891, and opened for business on May 11 of the same year. The first banking quarters were at 324 Federal street, but larger quarters were provided a year later at 323 Federal street. The company occupied its present quarters November 1, 1900. The first president was the late Abraham Anderson and the first vice-president was R. F. Bancroft. Charles C. Pine was the first treasurer. In 1908 Montreville Shinn was made assistant secretary-treasurer and in 1900 C. Chester Craig was made trust officer. These two gentlemen continue to hold the same positions on the bank's official staff, and have been the longest in its service.

This institution has now over ten thousand depositors and total assets of more than two and a half million dollars. Trust funds, independent of the banking department, invested today total over a million dollars.

The officers and board of directors of the Central Trust Co. include the following men: H. H. Grace, M. D., president; C. T. Sharpless, vice-president; John B. Clement, second vice-president, secretary-treasurer; Montreville Shinn, assistant secretary-treasurer; C. Chester Craig, trust officer. Board of directors: Alpheus McCracken, chairman of the board: Casper T. Sharpless, A. J. Fullmer, Fithian S. Simmons, Jesse W. Starr, 3d.; W. Leonard Hurley, Killam E. Bennett, Eli Sharpless, H. H. Grace, M. D.; H. N. Munger, John B. Clement, Andrew B. F. Smith, Philip Wilson, Richard C. Schwoerer.

NEW ENGLAND

Boston

—Between the last two calls of the Bank Commissioner the Old Colony Trust Co., Boston, reports a gain in deposits from $116,141,836 to $140,655,-754, an increase of $24,513,918.

—The Merchants National Bank has arranged to take over the business of the Old Boston National Bank, the latter institution going into liquidation. This will add substantially $3,000,000 to the deposits of the Merchants.

—Boston Chapter, A. I. B., and the members of the Institute throughout the country will learn with much satisfaction of the election of Robert B. Locke as manager of the Detroit Clearing-house.

Mr. Locke is admirably fitted through training and experience for his new position, being a graduate of the Institute training course, and having had several years' experience in the Old Colony Trust Co., serving latterly in the credit department.

He is president of Boston Chapter

and at the age of 34 will be the youngest manager that the Detroit Clearing-house has ever had.

The selection of Mr. Locke is regarded as a measure of approval of the Boston Clearing-house methods, which have attracted so much attention throughout the country and influenced quite largely the methods of check collection, being adopted by the Federal Reserve Board.

—John F. Tufts, cashier of the Union Market National Bank, Watertown, Mass., has been elected president of the National Bank Cashiers Association of Massachusetts.

—The Fourth-Atlantic National Bank of Boston in its statement of May 1, 1916, showed deposits of $21,395,738.01 and total resources of $25,795,847.27. In 1912 the Fourth National and the Atlantic National Banks were consolidated and became the Fourth-Atlantic National Bank, under the presidency of Herbert K. Hallett, who was president of the Atlantic. In April, 1913, the deposits of the bank were $14,000,000, so that there has been an increase in that item of 50 per cent. during the past three years. In 1913 the surplus and profits stood at $1,220,189.29, which had increased on May 1, 1916, to $1,676,664.26, a gain in three years of over thirty per cent., in addition to the payment of seven per cent. dividends up to April 1, 1915, and eight per cent. since that date.

—The following have been elected officers of the Boston Bank Officers Association for the coming year: President, Norman I. Adams, National Shawmut Bank; vice-presidents, Frederick C. Waite of Merchants National Bank, and Howard W. Burge of Old Colony Trust Co.; directors (for two years), Horace F. Fuller and Charles F. Allen of State Street Trust Co.; trustee (for three years), George W. Grant of Old Colony Trust Co.; treasurer, Robert E. Hill of the Webster and Atlas National Bank; secretary, Edwin A. Stone of Franklin Savings Bank; auditor (for three years), Hub-

bard B. Mansfield of National Union Bank.

—The Hanover Trust Co. has been organized in Boston and has commenced business at 132 Hanover street. The new institution has capital of $200,000 and surplus of $50,000. Gabriele Stabile, a private banker, is president of the company, William S. McNary, chairman of the Massachusetts Harbor and Land Commission, chairman of the board, and Henry H. Chmielinski, vice-president and treasurer.

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—At a recent meeting of the board of directors of the National State and City Bank of Richmond, Va., the following assistant cashiers were elected: Richard E. Cunningham, William S. Ryland and N. R. Watt. Mr. Cunningham is now cashier of the Covington National Bank of Covington, Va. Mr. Ryland and Mr. Watt have been connected with the staff of the National State and City Bank for some time.

Both Mr. Watt and Mr. Ryland have served the National State and City Bank faithfully and efficiently and the promotion is given them as a reward for their faithful services. The appointments become effective July 1, next.

Mr. Cunningham is a grandson of the late Dr. John A. Cunningham, one of the most prominent physicians of his day in Richmond, and a son of the late John A. Cunningham, Jr., who was the principal of the Madison public school for a number of years. Mr. Cunningham has held positions with the Commercial National Bank, Washington, D. C.; the old Bank of Richmond; the First National Bank of this city, and is now the cashier of the Covington National Bank, of Covington, Va.

Mr. Ryland is a son of the late A. H. Ryland, of King and Queen County, and belongs to the well-known family of Virginia Rylands. Mr. Ryland has been in the employ of the bank for eight years and was one of the chief clerks of the bank when elected as an assistant cashier.

RICHARD E. CUNNINGHAM
ASSISTANT CASHIER NATIONAL STATE AND CITY BANK, RICHMOND, VA.

Mr. Watt is a son of the late George Watt, of this city. He has been the manager of the savings department of the bank for some years.

WM. S. RYLAND N. R. WATT

ASSISTANT CASHIERS NATIONAL STATE AND CITY BANK, RICHMOND, VA.

—D. E. Mountcastle, for the past five years chief clerk of the First National Bank, Richmond, Va., and ex-president of the Richmond Chapter, A. I. B., as well as a graduate of its course in banking and law, has been elected cashier of the Covington National Bank of Covington, Va., succeeding R. S. Cunningham, who recently resigned to accept an assistant cashiership in the National State and City Bank of Richmond.

—Richmond's $2,000,000 bond issue for permanent improvements has been purchased by a syndicate arranged by Frederick E. Nolting & Co. and the American National Bank of this city and in connection with Harris, Forbes & Co. of New York and Eastbrook & Co. of New York and Boston. The bonds are coupon convertible dated January 1, 1916, and mature in thirty-four years. The price paid was 94.845.

Other bidders were the Old Dominion Trust Co. and Kean, Taylor & Co., at 93.28; E. H. Rollins & Co., 92.779, and the New York Life Insurance Co. for $250,000 at 93.016.

—At the annual meeting of the Richmond Chapter, American Institute of Banking, held May 17, officers were elected and delegates chosen to the national convention, which meets in Cincinnati in August.

Officers elected were: W. A. Roper, Bank of Commerce and Trusts, president; H. H. Augustine, First National Bank, vice-president; W. W. Dillard, Federal Reserve Bank of Richmond, secretary; S. Y. Tyree, National State and City Bank, treasurer.

Board of governors: J. C. Wheat, G. H. Bates and W. F. Augustine.

Delegates: W. A. Roper, George H. Keesee, N. R. Watt, C. E. Talman, H. H. Augustine, J. C. Wheat, Wilson Brown, H. P. Gillespie, L. B. Thomas, H. G. Proctor, Warren M. Goddard, C. V. Blackburn, H. L. Ealy and H. A. Davis.

—Rediscounts of the Federal Reserve Bank of Richmond have shown a decrease for several weeks past, which is regarded by the financiers of the city as rather a healthy sign for the Fifth

Reserve District, indicating as it does that the banks of the district are not in need of funds.

In April, 1916, the rediscounts of the local institution amounted to $3,811,484.67, and while this was slightly in excess of April of last year the weekly reports of the bank have shown a gradual decrease recently.

The Richmond Federal Reserve Bank, with a profit of 5.25 per cent. for the first quarter of 1916, headed the list made public recently by the Federal Reserve Board in Washington. That report showed the total earnings of Federal Reserve banks for that period to be $755,707 gross and $257,667 net, or at the yearly rate of 1.9 per cent. on an average paid-in capital of $54,904,000.

—The Richmond Country Clearing Association, which has been in operation only since December 23, 1915, has more than justified its existence. While comparative figures as to the cost of collecting the checks handled by the association are not available at this time, the reduction in exchange rates and operating expense has been steady and consistent during the four months the association has been operating.

The amount collected during the month of January was $6,500,000, whereas the April collections amounted to about $8,750,000, showing an increase in the volume of business handled in the past four months of about $2,250,000 in spite of the usual decrease in this class of business as spring approaches.

These figures do not embrace any collection items, as the association has not as yet attempted to handle collections, but consist almost entirely of checks payable at very small towns in the states of Virginia, West Virginia, North Carolina and South Carolina, the majority of which have been among the most expensive points to collect.

In view of the progress thus far made, the officers of the association and of the member banks feel that the or-

ganization has only begun to demonstrate its usefulness, and it is expected that its field of operations will be considerably broadened in the near future.

—The amount of reserves kept by member banks of the Fifth District in the Richmond Federal Reserve Bank was increased during May $3,000,000 in accordance with the provisions of the act requiring the third installment of reserves to be paid in at this time. With this new transfer of reserves the total in the vaults of the local institution will reach approximately $14,500,000. Only one more installment of reserves remains to be paid in before the provisions of the new law will be fully complied with. The act makes it compulsory that banks in reserve cities maintain in the reserve bank fifteen per cent. of demand and five per cent. of time deposits. For banks outside reserve cities the requirements are twelve and five per cent, respectively.

—Sharing with the rest of the country the prosperity that obtains in the United States, Richmond is also keeping pace with the other financial centers and is daily becoming more and more a recognized center of finance. Being the home of the Federal Reserve Bank for the Fifth Reserve District, the city naturally looms up large in the financial affairs of the South, particularly, and when it is remembered that Richmond has led all the twelve banks in the matter of profits, it is noticeable that this city is really coming into its own as a leading financial center.

During the past six months the banks of Richmond have shown great gains in deposits and total resources. On November 10, 1915, in response to the call of the Comptroller of the Currency, the total assets of the banks here were shown to be $82,166,245. In the call of May 1, 1916, the amounts reported made an aggregate of $89,193,410, showing an increase of $7,027,165. On the same dates the deposits increased from $56,558,979 to $64,119,533—a gain of $7,560,554.

The Richmond banks reporting to the Comptroller on May 1 showed the following total deposits:

First National	$17,923,455.57
Planters National	7,002,436.67
Central	913,043.03
National State and City	6,952,844.99
Merchants	10,059,426.96
Broadway	396,811.39
American	7,712,182.37
Manchester	372,081.33
Broad Street	1,735,904.78
Bank of Commerce and Trusts	1,373,001.33
Union	1,169,511.48
Richmond Bank and Trust Co.	625,256.65
Church Hill	641,098.88
Richmond Trust and Savings	968,274.02
Savings	1,452,040.36
Mechanics and Merchants	753,919.62
Virginia Trust	2,147,799.48
Old Dominion Trust	1,701,327.78
West End	217,107.79
Total	$64,119,533.88

Dallas, Texas

(Special Correspondence)

—Plans are being prepared for the erection of a 16-story office building by

the American Exchange National Bank of Dallas, representing an outlay of $1,500,000. The building will replace the old Imperial Hotel and the Astor Hotel, properties which were recently acquired by the bank, and will have a frontage of 145 feet on Main street, extending back 100 feet, thus exceeding the dimensions of any other Dallas skyscraper. The bank proper will occupy the ground floor, basement and mezzanine. The remaining fifteen floors will be for offices. According to the directors of the American Exchange National Bank, the new building will represent the last word in modern bank equipment, embracing many features for the convenience of its customers as well as its employees. The building will be ready for occupancy within a year.

—Judge Edward Gray has succeeded the late Stephen J. Hay as president of the Dallas Trust and Savings Bank of this city. He assumed charge of the office May 1. For a number of years Judge Gray has been counsel for the bank and its affiliated institutions, as well as a director and member of its executive committee. Judge Gray's knowledge of every branch of the institution admirably fits him for the position to which his fellow-directors have elected him, and his friends predict that he will make the same conspicuous success as a trust company official as he has in his career in the legal profession.

—The following Dallas bankers attended the Texas Bankers' Convention in Houston May 1-2: Royal A. Ferris, Nathan Adams and George H. Pittman of the American Exchange National; Edward Hobby of the Security National; J. D. Gillespie and Stewart Beckley, of the City National; J. Dabney Day of the First State Bank; Geo. Miller of the National Bank of Commerce; L. L. Henderson and W. G. (Fred) Kelley of the Central State; W. F. Ramsey and J. W. Hoopes of the

Federal Reserve. The association meets next year in El Paso.

—Marked success is attending the thrift campaign now being conducted in this city. The Chamber of Commerce, city officials, board of education, newspapers and many prominent citizens are lending their support to the enterprise.

—The large volume of building operations in process and in contemplation show abounding faith in the prosperity and future growth of Dallas. One of the finest union depots anywhere in the United States is rapidly nearing completion. An interurban terminal, occupying a block of floor space and eight stories in height, is in process of erection. The Adolphus Hotel is beginning work on its new annex, which will almost double the size of this already large hotel. The sixteen-story American Exchange National Bank building will soon rear itself alongside Dallas' rapidly increasing number of skyscrapers. All these enterprises, not to mention the great volume of small building operations constantly in process, are indicative not only of Dallas' present financial solidity, but also give promise of a greater future and prominence to the "City of the Hour."

—As per the statement of May 1 the First National Bank, Lynchburg, Va., has passed the five-million mark on the total of its balance-sheet. The capital is $675,000; surplus, $325,000, and undivided profits, $275,000.

—The Comptroller of the Currency has authorized the conversion of the Calcasieu Trust and Savings Bank into a national banking association under the title of the Calcasieu National Bank of Southwest Louisiana, at Lake Charles, with charter No. 10836.

The Calcasieu National Bank of Southwest Louisiana succeeds to the business of the Calcasieu National Bank of Lake Charles and the Calcasieu Trust

and Savings Bank, heretofore conducted with a main office at Lake Charles and branch offices at: Jennings, Lake Arthur, Welsh, Kinder, Vinton, Oakdale, Sulphur and DeQuincy. These offices will be continued as branches.

The bank has a capital of $500,000, surplus of $250,000, and total resources in excess of $5,000,000. The active officers are: President, J. A. Bel; Frank Roberts, S. Arthur Knapp, G. A. Courtney, vice-presidents; E. N. Hazzard, cashier; H. H. Rock, E. R. Henry, J. R. Green, Paul Zimmerman, assistant cashiers.

—The Valley Bank of Phoenix, Arizona, has discontinued its branch bank at Gila Bend, moving the branch to Ajo, Arizona. H. B. Thomas is the manager of this branch.

WESTERN STATES

Chicago

—One hundred and forty students have enrolled in the Spanish class which is being conducted under the auspices of the foreign trade committee of the Illinois Bankers Association. John J. Arnold of the First National Bank is chairman of the committee.

—"This section is doing such a large business," says the National City Bank of Chicago, in its May trade letter, "that it is difficult to see how some industries could handle a greater volume of orders than they are now at work on. High prices for steel products have not curtailed production as the demand is still much in excess of supply. The railroads have been heavy buyers of rails and equipment, at prices ranging from thirty to fifty per cent. above those quoted a year ago. The railroads have had to make very large purchases, however, as their facilities are still scarcely equal to the demands made upon them. Railroad traffic shows large increases, some roads in this vicinity reporting gains of fifteen or twenty per cent., as compared with a year ago. The grain movement is much above normal, although the interior has still large holdings, which are not likely to come upon the market soon unless there should be a sudden change in the foreign situation. Some of the largest roads have shown remarkable development of operating efficiency and it seems safe to say that the money expended by the great systems in road-bed equipment and new construction work these days is being very efficiently employed."

—"The shipping season on the Great Lakes, now opening, is expected to witness record iron ore shipments," says the National Bank of the Republic in its May letter. "It is estimated that during the season the steamers will handle nearly sixty million tons of ore, or thirteen million tons more than were shipped by 209 Lake Superior mines in 1915. All mines have been opened on

the upper Lake ranges and production will be pushed to the utmost, the scarcity of labor being the only drawback. The record-breaking pig iron production has made great inroads on the ore stocks at the lower Lake ports and the supplies remaining on April 1 were below five million tons, two million tons less than on the same date a year ago. The output of pig iron is now at a rate nearly two and one-half times that of fifteen years ago and is equal to the rate of production of the entire world at the beginning of this century."

—The farm loan department of the Merchants' Loan & Trust Company has moved to new quarters on the third floor of the Merchants' Loan & Trust Building, where increased facilities for the transaction of its farm mortgage business and for the convenience of its patrons have been provided. This department was organized eleven years ago and its continued growth has necessitated this removal to quarters specially adapted to its particular requirements and for its exclusive use. The department now has loans in force and in the hands of investors in excess of $20,000,000.

—Deposits of twenty national banks of Chicago on May 1, as shown in response to the call of the Comptroller, totalled $640,918,976, a new high record for deposits. The former high was $633,199,164, made on March 7 last. The current figures represent an increase of $7,719,812, or 1.2 per cent.

In other prospects the exhibits reflect a steady condition. Cash resources increased $11,029,956, or 4.6 per cent., as compared with March 7. Total cash on hand and due from banks was $246,931,428. Loans showed a decrease of $3,489,620, or 0.8 per cent.

St. Louis

[*By a Special Correspondent*]

—More than $500,000 will be distributed among the depositors in the Broadway Bank on the first dividend, according to a statement yesterday by E. H. Benoist, special deputy bank commissioner in charge of liquidation of the assets. The exact amount will be $501,-865.67.

This is a dividend of 66 2-3 per cent. to creditors of the bank. It will apply to current accounts, savings accounts, time certificates of deposit and all other indebtedness. The claims which have been allowed and approved aggregate $752,798.20.

—On Tuesday, May 2, announcement was made on the St. Louis Stock Exchange of the listing for trade of $800,-000 Lafayette-South Side Bank stock, and $200,000 South Side Trust Co. stock. A bid of $260 per share was made for the former, and $150 for the latter.

—Wholesale and jobbing houses in the nine principal cities of the St. Louis Federal Reserve district shipped sixteen per cent. more goods, while the volume of unfilled orders on April 1 was twenty-six per cent. larger than the previous three years' average, according to the current report of William McC. Martin, Federal Reserve agent and chairman of the board of the Federal Reserve Bank of St. Louis. Inquiries sent to merchants of St. Louis as well as other points in which opinions of agricultural and business conditions were sought, brought optimistic responses almost without exception.

—Members of the St. Louis Chapter, American Institute of Banking, re-elected Charles A. Schacht of the Franklin Bank as president in a meeting held last month. J. V. Keely of the Mercantile

National was re-elected vice-president, and A. C. Riddell of the National Bank of Commerce was chosen as secretary. Frank N. Hall, of the Mechanics American National, was elected treasurer.

As a board of governors, Clarence Wright, C. H. Lakebrink, C. M. Walters, A. W. Rieter, H. H. Reinhard, L. C. Bryan and Arthur W. Haill were named. Delegates chosen for the National Convention in September were: George Martin, Edward Meier, L. C. Bryan, H. V. Keely, Henry Aehle, W. R. Dorris, C. W. Bright, Frank N. Hall, A. J. Bill and Byron W. Moser.

—A new financial institution with a capital of $100,000 is being discussed for North St. Louis by merchants in the vicinity of Newstead, St. Louis and Lee avenues. It will be either a trust company or a savings bank, according to R. G. Blattner, who is in charge of the promotion.

—The initiative petitions, by which the Gardner State Land Bank act will be submitted to the voters of Missouri at the election in November have been completed and they soon will be filed with the Secretary of State. More than a sufficient number of signatures has been secured in order to comply with the provisions of the law.

The land bank act was passed by the last General Assembly. It was held, however, that the law could not become effective, because the state Constitution contained no provision authorizing such a law. It was for this reason that the initiative was invoked. The petitions will submit the law to the voters, and if it carries the law becomes effective January 1, 1917, without further action.

The idea of the land bank was conceived by Colonel Fred D. Gardner, one of the candidates for the Democratic nomination for governor, more than two years ago.

The proposed law is calculated to relieve the farmer of paying the interest that with bonuses and premiums sometimes reaches from ten per cent to twenty per cent. Under the proposed system the farmer can obtain a loan on his land, or improvements on the land, at from 4¾ per cent to five per cent., by issuing what is practically a bond, with the State of Missouri back of it. The loan will be issued in such a way that at the time of the payment of interest the farmer shall also pay a part of the principal, and it may be spread over a period from five to twenty-five years.

—South Side Trust Co., a new St. Louis bank, has opened its doors for business at Broadway and Pestalozzi street. The capital of the new institution is $200,000, and a surplus of $20,000 cash is admitted. The bank will do general banking business and is organized by the stockholders of the Lafayette-South Side Bank, to provide additional and convenient banking facilities for residents of its neighborhood. The new company will have the right to do a full trust company business, in-

cluding the handling and settling up of estates. Its chief mission, however, will be to serve as a depositary for savings accounts.

The officers of the new institution are: A. C. F. Meyer, president; Henry Menzenwerth, vice-president; B. G. Brinkman, vice-president; Otto J. Gossrau, secretary and treasurer; board of directors, Eberhard Anheuser, Adolphus Busch III, August A. Busch, B. G. Brinkman, F. C. Hahn, R. A. Huber, O. J. Gossrau, Theo. Lange, Henry Menzenwerth, A. C. F. Meyer and L. F. Yeckel. The secretary and treasurer will be in active charge of the trust company, it is stated.

—James L. McDonald has been appointed to the important post of state bank examiner in Missouri, with the

JAMES L. MCDONALD
STATE BANK EXAMINER, MISSOURI

territory adjacent to St. Louis as his particular field.

Mr. McDonald is the son of W. L. McDonald, vice-president of the National Bank of Commerce in St. Louis, and entirely merits his new position by reason of the training he has received in banking. Nearly seven years ago he entered the Chippewa Bank of St. Louis as a pass-book clerk, and later became assistant cashier.

—A book of more than 100 pages being a real estate price list of many hundred pieces of property and parcels of vacant ground has been issued by the Mercantile Trust Co., and downtown properties as well as suburban real estate properties are listed. The book is liberally illustrated.

—The power of the City Board of Equalization of St. Louis to increase the assessment on bank and trust company stock in that city from 50 to 70 cents on the dollar was called into question in the Supreme Court when Frederick N. Judson and William M. Fitch, representing all the banks and trust companies in the city, filed applications in the Supreme Court for writs of certiorari. Three applications were filed; one for the Mercantile Trust Co., one for the Merchants Laclede National Bank, and one for the International Bank, thus embracing all the banking and trust company interests.

At the recent meeting of the State Board of Equalization, bank and trust company stock all over the state was uniformly assessed at 50 cents on the dollar. The St. Louis board increased this assessment to 70 cents on the dollar presumably on the theory that real estate in that city must pay taxes this year on a seventy per cent. basis, and that bank and trust company stocks should bear an equal share.

—The whole force of the Mississippi Valley Trust Co., from president to office boys, met at the Planters Hotel, St. Louis, May 5, to organize the Valley Trust Club, whose membership will include them all.

The club will hold monthly meetings at which the advancement of the company will be discussed, special talks given as to the work of each department, and suggestions heard as to improvements in the company's service.

Messrs. E. A. Haight and Geo. L. Martin, of the financial department;

John P. Sweeney, of the bond department; E. D. Ruth, Jr., of the real estate department; S. B. Blair, of the trust department; F. C. Ball, of the safe deposit department; W. W. Steele, of the farm loan department; G. P. Knapp, of the publicity and purchasing department, and T. J. Kavanaugh, of the credit department were elected members of the club's first executive board. They will elect officers from their own number and be in charge of all club activities.

Another feature of the meeting was the announcement of the results of the new business contest, in which employees of the company have been active for some months past.

Under the rules of the contest employees were divided into three classes, and a prize offered for the highest score in each class, the scoring system being designed to allow credit for all classes of business transacted by the company and to credit large and small accounts proportionately.

It was announced that the total score of 100,000 points set up as a goal for the contest had not only been reached but exceeded by more than 57,000; that practically every employee had scored creditably and that the company's business had increased by reason of the contest, in all its seven departments.

Special emphasis was laid on an increase of $5,000,000 in the company's deposits during the year ending May 1.

Prizes were awarded by President Jones. The first prize for Class "A" went to William H. Lawrence of the company's trust department and the first prize in Class "B" to Oliver B. Henry of the bond department. Scores in Class "C" were so close that two prizes were awarded, the first going to Raymond M. Dodd in the trust department and the second to Thomas F. Bergin in the safe deposit department. Prizes ranged in amount from $50 to $200, and an extra vacation went with each.

Mr. Jones made a short talk in which he complimented the successful contestants and expressed his satisfaction with the result of the contest as a whole. He laid stress upon the weight given to new business activities in deciding promotions among the employees of the company, and called attention to the fact that more than half of the company's official staff have risen to their present positions from clerkships, simply as a result of technical study and active promotion of the company's business.

Detroit

—Henry B. Ledyard has retired from the position of chairman of the board of directors and of the executive committee of the Union Trust Co., resigning because of the instructions of his medical adviser that he must reduce his labors.

Mr. Ledyard's resignation was accepted with sincere regret. Henry Russel, J. C. Hutchins, F. T. Moran and Truman H. Newberry voiced the high regard and admiration of Mr. Led-

yard's fellow directors for him. A special committee was named by President F. W. Blair to prepare a suitable expression in recognition of the value and worth of Mr. Ledyard's services for the company to be spread upon the records.

H. M. Campbell, who has been counsel for the Union Trust Company since it commenced business, and who is especially well versed and experienced in the affairs of the company, by unanimous vote of the directors was elected chairman of the board and of the executive committee in succession to Mr. Ledyard.

Mr. Ledyard's relationship with the Union Trust Co., as its chairman, has extended over a period of eight years, beginning after the unsettled financial condition which swept over the country in the latter part of the year 1907 and the early part of 1908. Those same qualities which characterized his successful management of the large interests of the Michigan Central Railroad have been reflected in his administration of the business of the trust company, which, during that period, has increased steadily the extent of its business and the number of its clients.

—With a capital of $250,000 the Michigan State Bank has been organized to carry on the business of two private banks of the late Joseph Kruszewski. The new institution was organized by Frank Schmidt, a Detroit brewer. The two offices of the private banks at 1101 Junction avenue and at 2421 West Jefferson avenue will be retained, the latter being operated as a branch office of the bank on Junction avenue. Mr. Schmidt is president of the Michigan State Bank, Stanley Kruszewski is vice-president, and Fred A. Smith is cashier.

—The Commonwealth Savings Bank, which was recently organized, opened for business on May 1 in the Hammond building. It has a capital of $500,000 and a surplus of $100,000. It will conduct a savings business exclusively. The officers include the following: Joseph W. McCausey, president; Frank Wolf, and Comfort Taylor, vice-presidents; Fred H. Talbot, cashier.

—The Detroit Guaranty Trust Co. was organized May 1, when directors, executive committee and officers for the new institution were chosen. The company has $300,000 capital and $150,000 surplus, and opened for business May 15 at 84 Griswold street. It will conduct a general trust company business, making a specialty of real estate loans of the mortgage and bond variety. The officers include the following: Frank H. Bessenger, president; Edward E. Hartwick, first vice-president; Harold R. Martin, second vice-president and counsel; Harrison Geer, counsel; Charles L. Vieman, treasurer, and W. V. Butler, secretary and active manager.

Cleveland

—The Bankers Club of Cleveland has been organized. Colonel J. J. Sullivan, president of the Central National and the Superior Savings and Trust, has been elected president. Colonel Sullivan was also made chairman of the executive committee. Thomas H. Wilson, vice-president of the First National and the First Trust and Savings, was made first vice-president of the club. Harris Creech, president of the Garfield Savings, was chosen second vice-president of the club. A. H. Seibig, secretary of the United Banking and Savings, was made treasurer. E. C. Baxter, secretary of the Federal Reserve bank, was chosen secretary. George A. Coulton, president of the Union National, and J. A. House, vice-president of the Guardian Savings and Trust, were chosen members of the executive committee.

The new organization will have as members officers of Cleveland banks, officers and firm members of investment banking houses with main office here. The chief national bank examiner of this district will be eligible, as will the state superintendent of banks and his chief deputy in this district, and the

manager and examiner of the Cleveland clearing-house. The organization has for its purpose the furthering of cordial relations between bankers.

—During his recent trip to the Middle West, Fred W. Ellsworth, publicity manager of the Guaranty Trust Co. of New York, delivered two adresses in Cleveland. On May 9 he spoke before the Cleveland chapter of the American Institute of Banking on "How Advertising Can Help the Banks to Grow," and on the following day he was a guest at luncheon of the Advertising Club of Cleveland, at which he outlined some of the problems of the bank that advertises.

He said: "There is no legitimate reason why a strong bank with a clean history, a good personality, adequate equipment and satisfactory service should not make those features known to the community. And when a bank does this, it not only deserves, but is quite likely to achieve success."

Minneapolis

—The Northwestern National Bank of Minneapolis says in a recent trade review:

"Business conditions in the Twin Cities are very good. Building activities continue and new enterprises are being launched. As nearly as can be ascertained, the formation of new companies and the establishment of agencies in Minneapolis and St. Paul for outside firms continue in a very satisfactory measure. Although statistics are not at hand, it seems that the establishment of new enterprises is going on in these cities more rapidly than last year. On account of the large buying power of the Northwest for the last two years, many of the large firms in eastern manufacturing cities have opened factory branches in Minneapolis and St. Paul, to take care of their rapidly growing business in the country tributary to these cities."

—A military company of the Northwestern National Bank and the Minnesota Loan & Trust Co. has been organized. The idea had its inception in a discussion between some of the older employees of the bank, suggested to them by the declaration in favor of preparedness of the American Institute of Banking at its convention in San Francisco in 1915. This company is entirely an independent organization—has no connection of any kind with the National Guard. It is formed of and officered by the employees of the bank and trust company, and is purely for the pleasure and physical profit of its members, and shows a creditable national spirit on the part of the men.

—Cincinnati will be the scene of the Fifth Annual Convention of the Investment Bankers Association of America, which will take place in that city on October 2, 3 and 4. Everything points to a most successful and interesting meeting.

—Charles W. Dupuis, vice-president of the Second National Bank of Cincinnati, read a paper on "Trade Acceptances and Their Encouragement by the Federal Reserve Board" before the Toledo conference of the National Association of Credit Men. The paper was so highly regarded by the members of the association that it is being printed and circulated all over the country as one of the organization's official documents.

—Moorhead Wright, president of the Union Trust Co. of Little Rock, was elected president of the Arkansas Bankers Association for the ensuing year at the twenty-sixth annual convention of the association. Other officers elected were: Albert Powell of El Dorado, vice-president; C. C. Spraggins of Hope, treasurer.

—The thirtieth annual convention of the Iowa Bankers Association will be held at Waterloo, June 20-21, 1916.

PACIFIC STATES

San Francisco

—"On the Pacific Coast," says the American National Bank in a recent trade letter, "trade and commerce are normally active. Marked improvement has taken place in the lumber business, and the quickened pulse of this industry has infused new life into scores of allied and dependent enterprises. Exports in this and other lines are hindered by lack of ocean-shipping facilities. The re-opening of the Panama canal gave assurance of more prompt

service in shipping, but the difficulty is to find the ships.

"Earlier fruits and vegetables are going to market from northern and central California. The first cherries of the season have been shipped from the Sacramento valley, while strawberries from the San Joaquin and Pajaro valleys are coming into the market. Large quantities of fresh asparagus have gone forward, and the canned pack in this product will be larger than usual. Before another month has passed the Imperial valley will be sending canteloupes to gratify the palates of Eastern consumers. About 8,500 acres in that section are devoted to melons and the crop prospects are excellent."

—The International Banking Corporation has transferred the commercial and savings accounts of its San Francisco branch to the Anglo and London-Paris National Bank of San Francisco. This latter institution is capitalized at $4,000,000 and has deposits of about $30,000,000.

At the New York office of the International Banking Corporation it was said that the accounts transferred amounted to about $5,000,000. The Corporation, it was said, would retain the foreign accounts of its San Francisco office.

—The United States National Bank of Portland, Oregon, is to have a handsome new building at the corner of Sixth and Stark streets. It will be four stories high and the general exterior will be somewhat similar to the home of the Knickerbocker Trust Co. in New York. The basement, first floor and balcony will be occupied by the bank.

—Speaking of business conditions in Spokane, R. L. Rutter, president of the Spokane & Eastern Trust Co., says in the May news-letter of that institution:

"Steady betterment is to be noted in numerous lines of business in Spokane and throughout the Inland Empire, but there is room for improvement in others, particularly in real estate and certain lines of merchandise. However, there are more inquiries for first-class city property with prices higher than a year ago. Banks continue to have more funds than ever—ample for all demands that are made or likely to be made on them for spring operations, and cash reserves are increasing at a pace that fairly offsets the loan expansions."

Mexican International Mortgage Bank

AT the annual meeting of the shareholders of this bank (Banco Internacional è Hipotecario) held in Mexico City, March 30, the earnings for the year ended December 31, 1915, were shown to be $610,388.87. A dividend at the rate of twelve per cent. was declared, $100,000 was added to the reserve fund, and after making other customary allotments, $38,869.43 was carried forward to 1916 account.

The Mexican International Mortgage Bank was established in 1888, and has done a very large business, its total balance-sheet standing on December 31 last at $50,761,943.42.

Trinity Bank Students Saved Bank of Ireland

HOW Trinity College students saved the Bank of Ireland during the recent revolt, is told as follows by a resident of Liverpool:

"It was the intention of the Sinn Feiners," he said, "to take this institution and its valuable contents, and a body of rebels came along with the express purpose of putting this intention into execution. Opposite the bank stands famous Trinity College, where an officers' training corps of students is stationed, and the young officers had a warm reception in readiness for the rebels.

"The revolutionists came along in great style, anticipating no trouble and shooting down the half dozen soldiers always on guard at the bank. But as they advanced there was a rifle volley and some of the attacking party dropped.

"The college had been transformed into a veritable fortress. In the windows were sandbags, loopholed, behind which the officers were waiting to give battle. The insurgents were stupefied, and for a moment hesitated as to what they should do. Then several sprang forward shouting to their comrades and the rebels pressed on.

"Again came a volley from the windows of Trinity College. More men fell, and the rebels broke in disorder and fled."

A Kipling Anecdote

IN his "Rudyard Kipling: A Literary Appreciation," R. Thurston Hopkins tells some capital anecdotes of the great writer. While Kipling was living in Vermont he adopted the American habit of paying his household bills by check.

Many of these checks were very small, and the shrewd Yankee tradesmen soon found out that autograph hunters would pay much over face value for them. One shopkeeper obliged his "autograph" clients with a duplicate memorandum of the account. For example: A bill against Kipling for five pounds of cheese, accompaniel by an autographed check, was a souvenir that commanded a good price. The consequence was that when Kipling sent his bankbook to be balanced it invariably showed more to his credit than there should have been. He was unable to account for the discrepancy until one day he saw one of his checks given for a case of bottled beer framed and hanging in a Boston book shop. The first thing he did when he returned to his home was to burn the check books.

"The Comptrollers Won't Let Me"

CONSIDERABLE amusement was caused at the recent meeting of the executive council of the A. B. A. when one of the members wired to Briarcliff as follows: "Cancel reservation. Comptroller calls for statement."

A New "Wrinkle"

ONE of the newest "wrinkles" in modern bank equipment is so simple as to lead one to wonder why someone has not thought of it before. It is a coin pocket cut in the glass of the shelf of the paying teller's window, and as will readily be seen, greatly facilitates the handling of small change paid out to customers.